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UNEMPLOYMENT, FULL EMPLOYMENT  
AND INDIA



*By the same author*

INDUSTRIAL ENTERPRISE IN INDIA

STUDIES IN INDIAN ECONOMIC PROBLEMS

ESSAYS IN APPLIED ECONOMICS

THE PUBLIC SECTOR IN INDIA

NABAGOPAL DAS

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UNEMPLOYMENT,  
FULL EMPLOYMENT  
AND INDIA

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## PREFACE TO THE THIRD EDITION

ALTHOUGH the problem of unemployment has been with us all these years, a good deal of loose thinking still continues on the subject. I have also been singularly struck by the fact that, to date, nobody has cared to discuss, within the compass of a readable volume, the various aspects of the problem. I need not, therefore, offer any apologies for again inflicting this book of mine on the reading public.

Much has happened since I last revised this book early in 1948. The political and economic climate has changed almost beyond recognition, and the facts and circumstances which I then underlined, no longer exist. I have, therefore, written a completely new book. Readers of the earlier editions of my book will not fail to notice that not only have I presented new facts, but there has been a considerable shift in emphasis as well. This was, to some extent, inevitable, as some of the pleas I had put forward in 1946 and 1948 are already a part of the accepted policy of the present Government. But other problems have arisen since and I have tried to deal with them in the present work.

I only hope that this new edition will receive from the public as generous a reception as the two previous ones did.

N. DAS

*Bombay*  
*April 1960*

## PREFACE TO THE SECOND EDITION

WHEN this book was published in December 1946, it was hailed as the first objective study of the problem of unemployment with special reference to Indian conditions. Perhaps it was for this reason that the book was exhausted within less than eight months and I began to

## PREFACE

receive anxious enquiries as to when a second edition would become available. Preoccupation with my official duties, however, prevented me from attending to the work of revision and it was not until the closing months of 1947 that I could give my time and attention to the task.

In the present edition, I have added as many as three new chapters. In the remaining chapters I have substantially altered, and even completely re-written, many paragraphs in the light of observations made by friendly critics. I should add that the statistics given in the book relate to undivided India, but the facts and general arguments apply both to the present Indian Dominion and the Dominion of Pakistan.

N. DAS

*New Delhi*  
*January 1948*

## PREFACE TO THE FIRST EDITION

DURING recent months there has been so much loose talk on the platform and in the press of this country on the subject of unemployment and full employment that I felt that there was need for re-stating the elementary principles in clear, unambiguous language. The present volume is the result of my efforts in this direction. I claim no originality for what I have said about the first principles, but I do assert that the thesis propounded by me, viz., that a programme of full employment is feasible even in the India of today, is one which should be seriously considered. I shall consider my labours amply rewarded, if the arguments put forward by me make persons in authority look at our economic problems from a new angle.

N. DAS

*Calcutta*  
*December 1946*

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## CHAPTER I

# THE MODERN APPROACH TOWARDS THE PROBLEM OF UNEMPLOYMENT

LESS than two hundred years ago—in the first half of the nineteenth century—the view prevailed that unemployment was due largely to defects in individual character. It was naively argued that men remained unemployed because they were unemployable—because they lacked the necessary training and aptitude to adapt themselves to changing economic and social conditions. Although this rather morbid approach towards the problem had been abandoned long ago, it was not until the two wars had shaken the very foundations of social and economic beliefs that the prevention of unemployment came to be accepted, without any qualification or reservation, as the responsibility of the State.

It would be interesting to analyse how imperceptibly, but surely, the emphasis on the responsibility for unemployment has shifted from the individual to the State. Even when it was conceded that the individual was not much to blame and that he was but a victim of circumstances, economists were loath to admit that the economic structure had anything to do with it. Not a few of the nineteenth century economists endeavoured to find a cause of periodic unemployment in climatic conditions. Climatic conditions, it was maintained, determined the abundance and scarcity of harvests, and upon these largely depended industrial conditions throughout the world. They argued that raw materials played a vital part in industry and trade and the failure or abundance

of commercial crops made a vast difference not only to the agricultural communities themselves, but also to communities where the crops were utilized as raw materials of industry and trade. The most important of these "theories" was the famous "Sunspot Theory" of W. S. Jevons, who sought to prove that the periodic appearance of spots on the surface of the sun coincided with the failure of the monsoons and with general agricultural depression throughout the world. That this view lingered in many minds for a considerable time is proved by the fact that even Lord Beveridge, the famous exponent of "Full Employment" policy, had argued only about 40 years ago that not infrequently changes of temperature might affect harvests and consequently business conditions in all countries of the world.<sup>1</sup>

It would be interesting to recall here that the word "unemployment" first came into common use in English-speaking countries only towards the fag-end of the nineteenth century. As a matter of fact, even Alfred Marshall did not refer to any "unemployment problem" in the first volume of his *Principles* which was published in 1890: he merely spoke of "inconstancy of employment". And he went so far as to say that the problem was created not by an actual increase in the numbers and percentages of the unemployed, but by greater publicity, a more sensitive social conscience and the misinterpretation of such incomplete statistics as were available.<sup>2</sup>

<sup>1</sup> Vide his article on "Weather and Harvest Cycles" in the *Economic Journal* (London, December 1921).

<sup>2</sup> These were his exact words: "I have very little to go by except general impressions, and general impressions on a matter of this sort are not worth much; but, on the other hand, I do not



The utmost that the economists of the late nineteenth and early twentieth centuries would concede was that employment was perhaps becoming a little more inconstant. They, therefore, concentrated their studies on the trade cycle, and that also more as a special problem of abnormality or pathology than as a deep-seated disease within the body economic. In the 1911 edition of the *Encyclopaedia Britannica*, for example, unemployment was defined as "a modern term for the state of being unemployed among the working classes". Then it went on: "It is more particularly within the nineteenth century that the problem of unemployment has become specially insistent, *not by reason of its greater intensity, but because the greater facilities of publicity, the growth of industrial democracy, the more scientific methods applied to the solution of economic questions, the larger humanitarian spirit of the times, all demand that remedies differing considerably from those of the past should be tried.*" (Italics mine.)

We thus see that the social concept of unemployment had not been born even in the first decade of the present century. Although the mid-nineteenth century view that unemployment was due largely to defects in individual character had given way to the feeling that it was a man-made scourge and not an "act of God", it was quite some time before it was conceded that general unemployment was due to the inability of society to adjust its economic organization to changing conditions,

know that anybody else has anything else but general impressions, and I have been studying for many years the question whether the tendency of our modern forms of industry is not to increase the irregularity of employment. I believe that it is not, and I believe that the statistical evidence brought forward to prove that it is, is invalid."



and that even cyclical fluctuations were due to defects in the organization of industry and trade rather than to vagaries of climate.

We find some interesting discussions on the subject in the economic literature of the period. In 1886, in a lecture entitled *Irregularity of Employment and Fluctuations of Prices*, H. S. Foxwell declared his conviction that uncertainty of employment was the root evil of the industrial regime and that abolition of the existing undue "irregularity of employment" should be a major objective of economic policy.<sup>3</sup> In the year 1909 was published Lord Beveridge's first treatise on the subject of unemployment, *Unemployment: A Problem of Industry*, in which he distinguished between different types and causes of unemployment and advocated public works policies as an antidote to violent cyclical fluctuations. R. G. Hawtrey, on the other hand, ridiculed the idea that public works were a remedy for unemployment and argued that Government, by the very fact of borrowing for this expenditure, withdrew from the investment market savings which could otherwise be applied to the creation of capital. It was left to three economists with Liberal Party affiliations (J. M. Keynes, H. D. Henderson and D. H. Robertson) to lay their fingers on the new and more serious form of chronic unemployment which was beginning to emerge in the United Kingdom from about 1923 onwards, and to suggest that public investment was the only effective weapon with which this enemy could be attacked. The State, they said, must raise the chronically depressed level of home investment and

<sup>3</sup> Petty, a predecessor of Foxwell, had spoken in still more emphatic terms a few years earlier: "Better to burn a thousand men's labours for a time, than to let those thousand men, by non-employment, lose their faculty of labouring."

employment and must maintain an adequate level of expenditure by filling any gaps left by deficiency of private investments.

Broadly speaking, there came into being three schools of thought on the causes of unemployment. One school argued that unemployment was a penalty for deviating from *laissez-faire*, i.e., from free competition and free trade. The second school described unemployment as a result of trade cycles and, consequently, more or less inevitable : this school went further and maintained that unemployment, if fairly moderate, might even be wholesome. The third school attributed unemployment to lack of effective demand, which again was, according to them, the result of a deficiency of outlay on consumption and/or investment.

Those who say that unemployment is a penalty for deviating from *laissez-faire*, base their arguments on the rigidity of wage rates caused by monopolistic trade union practices and the so-called "dole system". According to them, if these restrictions were removed, competition would force wages down to the level where it became more profitable to entrepreneurs to employ more labour. Further, if business were left to itself, the inter-play of competitive market forces would produce a natural equilibrium and in the long run all would be employed who can be employed, compatible with the natural resources and capital equipment that a country possesses.

It is obvious that facts do not accord with the above argument. There are no markets in which perfect competition exists and hence it is erroneous to assume that once the restrictive forces have been removed, things would automatically adjust themselves. This argument is the argument of the average businessman who thinks



that low wages would lower costs which would enable him to sell more at lower prices and thus give employment to more men. The fallacy lies in the fact that if all employers did the same, there would be merely adjustment of wages at new levels, but no greater employment : on the other hand, profits might go down, there would be no new investments and unemployment would be greater, and not less, in the long run.

Those who argue that unemployment is the result of trade cycles explain only *periodic* fluctuations in employment and do not give an effective answer to the causes of *general* unemployment. Booms and depressions may be due to competition between entrepreneurs, resulting in a greater volume of production in anticipation of demand than is justified by the resources and demands of the community ; or, they may be due to the " waves " of optimism or pessimism which assail leaders of industry and trade, as was suggested by Marshall, Pigou and Lavington. In any case, the wholesomeness of such periodic unemployment is now questioned by all serious students of economics. Nor do such business " cycles " necessarily lead to the weeding out of the less efficient producer ; what happens in practice is that the financially weakest producer is weeded out, and not the least efficient one.

We thus come to the more modern and rational approach to the problem of unemployment. According to this approach, unemployment exists because demand for goods and services is insufficient to make use of all the real resources available. It is not a case of shifting of demand from one product to another ; it is a case of deficiency of demand on the part of the community *as a whole*. This acts and reacts in the following manner : there is deficiency of demand on the part of consumers

with the result that the businessman refuses to invest ; when the businessman refuses to invest, production is curtailed ; curtailment of production results in the curtailment of wages and retrenchment of workers, and these in their turn accentuate the deficiency of effective demand. There is another aspect of this deficiency of effective demand : sometimes people desire to save out of a given income more than the community wishes to absorb in offsetting spending, i.e., there is disequilibrium between savings and investment, and this leads to total demand, income and employment falling below the equilibrium level. For equilibrium to exist, it is argued, the amount saved must be invested and spent either directly or indirectly on consumer goods : only this would enable a balance to be established between the total costs of industry and the amount spent on consumer goods.

It follows from the above that there would be no unemployment, if savings and investment, consumption and production kept pace with one another. Unemployment is unthinkable in a primitive society having no division of labour and no system of distribution of the national dividend among land, labour, capital and organization. " Unemployment is the result of a particular phase in the development of the economic organization of a catallactic society, i.e., one based on exchange." Theoretically speaking, unemployment should be absent in the " stationary state " as well as in the " dynamic state " propounded by classical economists, provided there is full and free competition between producers and producers, and between workmen and workmen. Unfortunately, however, full and free competition never prevails in actual life, and as a result, long spurts of rapid capital investment and over-employment alternating



with long periods of depression and unemployment become a chronic feature of private enterprise economy.

The last War made a complete re-orientation of the approach of economists towards the problem of unemployment. Even the most pessimistic of them saw that it was possible during the period of the War to create conditions for full employment. The natural query was : " If everybody can be given a job in war work, why cannot everybody have a job in peacetime production as well ? " The issue was so plain and straightforward that it could no longer be avoided. So came the cry for " full employment "—for the creation of a state of affairs in which periods of enforced idleness would be reduced to the minimum. Until the War came, the classical economists had assumed that supply created its own demand, and that there could never be anything worse than frictional unemployment or sectional over-production. In actual practice, however, unemployment was more or less chronic, because decisions to save were not linked by any automatic mechanism with decisions to invest. During the War period, on the other hand, the enormous powers assumed by the State even in non-socialist countries, in the spheres of control of foreign trade and public finance, control of wages and prices, regulation of labour market and control of savings and investment, brought about a condition of virtual over-employment. The State assumed various direct controls over the use by entrepreneurs of labour, materials, equipment and factory space. It also compelled many people to work in specified undertakings and zones at the prevailing level of wages. The result of all this was that unemployment was virtually eradicated from all the countries involved in the War.

## CHAPTER II

### THE CONCEPT OF FULL EMPLOYMENT

As soon as it became evident that the Allies were going to win the War, the attention of politicians and economists, particularly in the United Kingdom and the U.S.A., was directed to the prevention of the most disturbing phenomenon of the peace period, viz., the prevalence of mass unemployment. Lord (then Sir William) Beveridge and the late Prof. A. C. Pigou in Great Britain and the late President Roosevelt and Senator Murray in the United States started a campaign for maintaining a level of "full employment" during the post-war period. They felt that while the purely material waste in a society in which a certain proportion of the people had to remain idle was considerable, the more serious evil of mass unemployment was not physical but moral, not the want it might bring but the hatred and fear which it bred.<sup>1</sup> As has been succinctly put by an eminent economist, it is the feeling of not being wanted which demoralizes the unemployed man or woman.

What do the terms "unemployment" and "full employment" mean? Unemployment is a condition of involuntary, not voluntary, idleness. It means a state of affairs in which, for various reasons, men have to remain without jobs over many months or even several years.

<sup>1</sup> According to an estimate made by Lord Beveridge, if the unused labour resources of Great Britain between the two wars could have been brought into use, it would have been possible to increase the total output of the community by approximately one-eighth.



Full employment, on the other hand, means a condition of society in which such periods of enforced idleness are reduced to the minimum, mainly because (a) effective demand for labour is always ahead of the supply of labour, (b) demand for labour is properly directed, and (c) both labour and industry are so organized that changes in the demand for labour synchronize, over a not too distant period, with changes in the supply of it and *vice versa*. Full employment may, however, co-exist with unemployment: as a matter of fact, there is bound to be a certain degree of frictional unemployment<sup>2</sup> even under conditions of full employment, because individuals who make up the labour supply are not completely interchangeable and mobile. But full employment means that unemployment is reduced to short periods of standing by, with the certainty that very soon one will be wanted in one's job again or will be wanted in a new job within one's powers. Full employment merely signifies that everybody who, at the ruling rate of wages, wants to be employed, is so employed.

Following logically from the above, full employment postulates two things. Firstly, there should always be more vacant jobs than unemployed men and not slightly fewer jobs. Secondly, the jobs should be at fair wages and of a kind and so located that the unemployed men can reasonably accept them. If both these conditions are present, the normal lag between losing one job and finding another would be very short indeed.

<sup>2</sup> Lord Beveridge went a step further. According to him, the very definition of full employment postulated that there must be some unemployment—an irreducible minimum or a margin in the labour force must remain unemployed to make change and movement practicable. Vide his *Full Employment in a Free Society* (London, 1954).

Is full employment in the above sense possible in a free, individualistic society? Opinions differ on this point. Lord Beveridge and others of his school of thought assert that full employment can be achieved in a free society no less than under a totalitarian regime. Marxists, on the other hand, sincerely believe that the very nature of capitalistic economy, i.e., the conduct of industry by private enterprise, prevents the synchronization of the demand for labour with its supply, with the result that the lag between losing one job and finding another is prolonged indefinitely.

The last War showed that even in an individualistic economy, unemployment could be made to disappear. This was done by (a) the State substituting its own schedule of needs and priorities in production over those of the private citizen, (b) the State securing complete direction of manpower, (c) the State expanding its own expenditure immensely and simultaneously reducing that of the private citizen by heavy taxes, borrowing and rationing, and (d) the State allocating labour and other factors of production by compulsory powers of conscription, direction and requisition. What is possible in war should not be unattainable in peace, provided there exists the same social objective backed up by the same determination to secure that objective.

How can full employment be secured under peacetime conditions in an individualistic free economy? The most important measure whereby full employment can be secured is by assuring "adequate total outlay at all times". "The total outlay should always be high enough to set up a demand for products of industry<sup>3</sup> which

<sup>3</sup> "Industry" is used in the widest sense, covering extraction, manufacture, construction, agriculture, distribution, finance, and



cannot be satisfied without using the whole manpower of the country : only so can the number of vacant jobs be always as high as, or higher than, the number of men looking for jobs." This "adequate total outlay" cannot, however, be undertaken by private entrepreneurs acting themselves : the State must assume responsibility for maintaining adequate total outlay. This does not necessarily mean that all outlay should be State outlay : "the bulk of the outlay may continue to be private, but the ultimate responsibility for seeing that outlay as a whole, taking public and private outlay together, is sufficient to set up a demand for all the labour seeking employment, must be taken by the State." To ensure adequate total outlay, the State, according to Lord Beveridge, must prepare a new type of budget<sup>4</sup> based on the datum of manpower. This budget should be so designed as to ensure year by year total outlay sufficient to set up demand for the utilization of all the productive resources of the country.

The second, though less important, condition for securing full employment is controlled location of industry which would facilitate proper direction of available labour to channels where it can be best employed. This control has to be both negative, prohibiting undesirable location, and positive, encouraging desirable location.

personal services—that is to say, all forms of human activity designed to satisfy human needs.

<sup>4</sup> The orthodox budget is prepared with reference to available money, and the maintenance of budgetary equilibrium in this sense is considered to be the cornerstone of a country's economic policy. The new type of budget has to be prepared with reference to available manpower : after estimating how much private citizens may be expected to lay out on consumption and private investment, the Finance Minister must propose public outlay sufficient to employ the whole manpower of the country.

The third condition for securing full employment is controlled mobility of labour. This has to be achieved by organizing the labour market. To some extent, this was done in pre-war Great Britain by setting up a national system of Employment Exchanges. During the War, the use of the Employment Exchanges was made compulsory in many industries with a view to directing the supply of manpower in accordance with a national policy. The State also adopted other compulsory measures to secure the mobility of labour. For instance, individual men and women were made to accept unfamiliar jobs under unfamiliar surroundings, mainly in the national interest. Trade unions surrendered, by agreement, many rules and customs as to methods of work, demarcation of trades, types of labour, etc., so that full mobilization of the nation's strength might not be hampered.

Achievement of full employment during the War period caught the imagination of planners all over the world. The idea was no longer confined to the United Kingdom or Soviet Russia. Even in the United States of America, with its very strong traditions of individualism, "full employment" became the cardinal objective of State policy. The plan of Henry A. Wallace, ex-Vice-President and Commerce Secretary to the U.S. Government, to ensure "sixty million jobs" for Americans became a kind of economic Bible to the enthusiasts of that country. It was argued that the alternative to full employment was so much human suffering in the shape of fear, insecurity, malnutrition and discouragement plus so much production lost<sup>6</sup> that it would be far better to

<sup>6</sup> The loss in production was estimated at 380 million dollars in the U.S.A. during the thirties of the present century. Vide Henry A. Wallace, *Sixty Million Jobs* (New York, 1945).



take a leap in the so-called dark and hope for new horizons of employment to unfold themselves. "Every American has a right to a job," contended Wallace, "and it is the responsibility of Government to safeguard that right." The mechanism of the Wallace Plan was akin to the Beveridge Plan inasmuch as it postulated the same kind of full employment budget as had been stressed by Lord Beveridge: it sought to adopt the same measures of job-incentive when a job-deficiency occurred. The only special feature of Wallace's analysis was that, according to him, the creation of "sixty million jobs" was practicable within the framework of the free enterprise system—even without a planned economy in the Beveridgian sense.

### CHAPTER III

## FULL EMPLOYMENT AND SOCIAL SECURITY

THE demand for full employment has sometimes been equated with a demand for social security, but the two are not the same. Social security was specifically mentioned in the Atlantic Charter as one of the most important objectives of the United Nations. The late President Roosevelt also expressed the hope that, after the War, the nations of the world would attain, among other freedoms, freedom from want. Practical expression of these hopes and aspirations was given in various plans announced by certain members of the United Nations, the most important of which were the Beveridge Plan (United Kingdom), the Marsh Plan (Canada) and the Wagner Murray Plan (U.S.A.).

What does this much discussed phrase "social security" mean? In the words of Lord Beveridge, "social security starts from a diagnosis of want—of the circumstances in which families and individuals in a particular country might lack the means of healthy subsistence". From this diagnosis emerge certain conclusions. Abolition of want requires, first, "improvement of State insurance, i.e., provision against interruption and loss of earning power—by extension of scope to cover persons hitherto excluded, by extension of purposes to cover risks hitherto not included, and by raising the standard of benefit". Secondly, abolition of want requires "adjustment of incomes, in periods of earning as well as of interruption of earning, to family needs, i.e., in one form or another it requires allowances



for children and pensions for retired persons". To summarize, the idea of social security springs from the deep desire of men to free themselves from the fear of want.

Historically, the concept of social security has been of comparatively recent origin. Under feudalism, the life of the labourer, whether he was a farmer or a craftsman, was more or less stable. His economy was undisturbed except for the direct impact of famine or of war. With the decline of feudalism, however, came the separation of men from the land and the beginning of movement. Men escaped their bondage, but only at the price of their security. There was dislocation of the farmers and the labourers from their tenancies or holdings ; with the substitution of casual labour, there was dislocation of men from life-long employment ; and, with the development of industries and commerce, there was dislocation of craft and trade. A new civilization had come, but it was faced with the problem of how to protect the worker against sickness, old age and various other personal exigencies ; circumstances arose in which, almost against its will, Government was faced with the problem of poverty.<sup>1</sup>

Even when poverty became a concern of Government, it was a long time before the remedy of it was accepted as its responsibility. At first there was the widespread, unorganized relief which the poor received for themselves through begging. Then there came into being institutions of organized help for persons in distress—these were the guilds, foundations of various kinds and the church. These institutions represented a positive approach to the relief of human distress, but they alone could not cope

<sup>1</sup> Karl de Schweinitz, *England's Road to Social Security* (London, 1943).

with the very large distress that prevailed. So came the beginnings of public relief, the earliest form of social assistance being the "Poor Relief". The care of the poor was made the responsibility of the parish, and poor relief gradually came to embrace not merely cash benefits but also medical care, the provision of work, and vocational training.

The defects of the poor relief system were, however, threefold. Firstly, the village or small town on which devolved the responsibility of administering relief to the poor was often unable to provide the different kinds of care appropriate to each type of need. The most extreme and cruel form of this localism found expression in the "Law of Settlement" enacted in the fourteenth year of the reign of Charles II whereby any poor person might be removed to his former parish, if, in the opinion of the local authorities, he might at some future time require assistance. Secondly, poor relief as administered in practice laid down conditions which amounted to making pauperism almost a sin and a crime, and, in many countries, receipt of poor relief was a definite handicap to the recipient (e.g., the recipient had no right to vote). Thirdly, the workhouse was established as the central device in the administration of relief, but conditions of living and work in most of these workhouses were so horrid that people dreaded being sent to them. Many preferred starvation to confinement in the prison-like workhouse.

The philosophy of *laissez-faire* continued to dominate English thought well into the latter half of the nineteenth century. It is true that the urge for personal service among the poor and the unemployed grew very strong during this period, but the general attitude still was that poverty was a form of sin. "People were poor because



they refused to profit by the abundant opportunities to improve their condition." As a result, there was a widespread campaign against outdoor relief. Even when the right to relief was conceded, it was restricted by so many demoralizing conditions that few would avail themselves of it.

Towards the end of the century, there came a new ferment, a new consciousness. There grew an uneasiness, amounting almost to conviction, that the industrial organization which had yielded rent, interest and profits on a stupendous scale had failed to provide a decent livelihood and tolerable conditions of life for a majority of the people. On the Continent, far-reaching measures of social insurance and social assistance were adopted, Denmark giving the lead in the year 1891 with her non-contributory old-age pensions. There were of course certain qualifying conditions for the receipt of these pensions. For example, the recipient had to be a national of the country which provided the pension; persons with a criminal record were not entitled to any assistance; and only such persons whose means fell below a prescribed amount could apply for it. Even so, Denmark was far ahead of many other countries. In the United Kingdom also, those in authority began to feel that society had an obligation towards its weaker members. "Those who seek or need relief are neither better nor worse than men and women in general, and are for the most part victims of an unfair social system." A Royal Commission on the Poor Laws and Relief of Distress was accordingly appointed in 1905. This Commission reported in 1909 and although the minority consisting of Mrs. Beatrice Webb, Mr. George Lansbury, Mr. Francis Chandler and the Rev. Prebendary could not make the majority accept their view-point, they had at

least put the latter on the defensive. As a matter of fact, what the majority report stated with qualification and almost reluctantly, the minority report asserted without any reservation. There followed in quick succession an Old Age Pensions Act, the Labour Exchanges Act and the National Insurance Act (Health and Unemployment Insurance). Identical measures had been adopted in Denmark and Germany during 1881-1889, but Great Britain could not rally to the new outlook until as late as 1909-11.

The system of social insurance which thus came into being was based on compulsory mutual aid: it was a compromise between social assistance and commercial insurance. In commercial insurance, there is equivalence of premium paid by the individual and the indemnity promised to him. In social insurance, there is no such exact equivalence. No doubt, the individual has to pay a certain premium, but this amount is supplemented both by his employer and by the State, with the result that the indemnity promised is much larger (and wider) than what would have been due to him, had the calculation been made merely on mathematical justice and long-term solvency. In other words, in social insurance, social justice is married to actuarial technique.

Social insurance has evolved in the following four main directions: workmen's compensation, sickness insurance, pension insurance and unemployment insurance. In most countries, these four branches of social insurance developed more or less independently of one another, each adapting its structure and policy to the nature of its tasks. Despite this lack of a unified approach, social insurance made tremendous progress not merely in the Western and Northern European countries and in Great Britain, but also in North and South America,



and in Australia and New Zealand. Even in the U.S.A. where commercial insurance took care of the various hazards to which working men and women are exposed, a Social Security Act was passed in 1935.

Towards the end of World War II, the emphasis shifted from "insurance" to "security". It was found that, in the social insurance schemes as administered up to that time, the indemnity that the individual received was neither sufficient nor proportionate to his standard of living. It was also felt that these schemes were no better than a patchwork of *ad hoc* arrangements against specified risks, such as sickness, old age or unemployment, for specified groups or classes. There was no central co-ordinating organization and there were still many people who were not covered. The State did not provide security to *every* class of its citizens against *every* possible hazard of economic life.

There was, therefore, a demand for a comprehensive plan of social security, ensuring universality of coverage in respect of persons and classes, as well as risks. In U.K. this found expression in the famous Beveridge Plan of 1942.<sup>2</sup> In his report to Government, Lord (then Sir William) Beveridge suggested unification of social insurance in respect of contributions, that is to say, each insured person was to obtain all the benefits by a single weekly contribution on a single document. Want was to be abolished by isolating not simply destitute individuals as the Poor Law did, but those entire categories of persons, or periods in an individual's life, which were generally the most vulnerable. Need was to be presumed and benefits were to be paid to those who wanted it, as of right, without a means test, and at a

<sup>2</sup> For details, see *The Beveridge Report—Social Insurance and Allied Services* (Cmd. 6404 : 1942).

flat rate subsistence level unrelated to income. The constructive services of health and education were also to be built up alongside the system of social security ; and for the first time the principle was accepted that all these should be provided free to every citizen, not at a minimum level, but at the highest level that the community could afford.

Quick and effective action was taken on the report. Between 1946 and 1949, the entire field of social insurance and allied services was reorganized, co-ordinated and extended in a series of major legislative acts. A profound social advance took place. Primary poverty almost disappeared in U.K. and there came into existence a " Welfare State " which accepted responsibility for all the major hazards of life : from the cradle to the grave, practically every contingency was provided for.

In the years that have followed, inflation and the consequent fall in the value of money, indiscriminate consumer subsidies and the increasing cost of providing services in kind, have put considerable strain on the social security system of Great Britain.<sup>3</sup> Nevertheless, no political party in that country would dream of scrapping it. As a matter of fact, Conservatives and Labourites alike are thinking in terms of further amplification of benefits rather than of reduction.

We may now consider the inter-relationship, if any, between plans for social security and plans for full employment. Both are based on the doctrine of the responsibility of society (the State) for the well-being of the individual. A hundred years ago, the citizen had to fend for himself in all contingencies of life and at best he could apply for charity or poor relief. With the development of a social conscience, there came the

<sup>3</sup> C. A. R. Crosland, *The Future of Socialism* (London, 1956).



recognition that unemployment was not a form of malingering, but an involuntary contingency. Unemployment insurance was then born. But even this did not work well. "In actual practice, it became quite impossible to foresee the incidence of unemployment, and, therefore, to provide for it in advance by means of a nicely calculated system of contributions and benefits. Every year, the Unemployment Insurance Statutory Committee carefully scanned the economic horizon in the attempt to foretell the economic weather. In every case, its prognostications proved incorrect, not because its arguments were unsound, but because it was impossible for it to foretell that certain events would happen, and consequently it could not estimate their probable effects on the incidence of unemployment."<sup>4</sup>

The next step, therefore, was the Beveridge Plan of social security—a massive reconstruction and unification of the social insurance services, with the specific purpose of bringing every man and woman in the country into a comprehensive scheme which would provide them, when unemployed, ill, aged or widowed, with incomes at a rate adequate for maintenance, and which would also provide special grants at the crises of marriage, maternity and burial.

Even this, however, merely prescribed the means for dealing with a disease : it did not strike at the root of the disease itself. So came the second plan of Lord Beveridge—the plan for full employment. This plan was the logical sequel to the earlier plan.<sup>5</sup>

<sup>4</sup> W. A. Robson, *Social Security* (London, 1945).

<sup>5</sup> The reader should not confuse the two plans, both bearing the name of Lord Beveridge : the first is the Plan of Social Security and the second is the Plan for Full Employment in a Free Society, referred to in Chapter II.

Western countries are fortunate in that they have full employment as well as comprehensive social security schemes, but it is obvious that the greater the unemployment, under-employment and poverty, the more difficult it is for a Government to provide the wide range of benefits that are usually associated with a social security scheme. The under-developed countries of Asia cannot simply afford this luxury. The energies of Asian Governments should, therefore, be devoted more to the eradication of unemployment than to the drawing up of grandiose schemes of social security.



## CHAPTER IV

# THE ROLE OF THE STATE IN THE IMPLEMENTATION OF A PROGRAMME OF FULL EMPLOYMENT

FEW people would deny that mass unemployment is an evil fraught with grave social, economic and political consequences. Few people would also dispute that the State can and should take the lead in combating this menace. There is no such unanimity of opinion, however, as to what exactly the State should do : while some maintain that mass unemployment can never be eradicated until all the factors of production are owned by the State and the distribution of the national dividend is also effected by it, others argue that a full employment policy can be pursued better under capitalistic control and free enterprise.

Despite the conflicting view-points set forth above, it is now possible to draw certain broad conclusions from the experience of U.K., Western Europe and U.S.A., both during the second World War and in the years immediately thereafter. During the War, in all these countries, Government achieved full employment by (a) spending an immense amount of capital in production ancillary to the war effort, (b) directing labour to the industries and occupations where it was most urgently needed, (c) controlling prices and wages, (d) controlling investment as well as savings, (e) resorting to a managed currency, (f) regulating and controlling foreign trade, bank credit and long-term borrowing, and finally, (g) adopting a full-fledged policy of re-distribution of

income. All these measures bridged the gulf between savings and investment, between production and consumption, and between prices and wages. Of course, these meant substantial encroachment on the field of free enterprise. The essential structure of a capitalist economy was not, however, disturbed, and the State could rely very largely on the willing co-operation of both capital and labour to submit to the various controls and regulations.

Even when the War was over, many of these controls had to be continued to deal with a situation marked by general devastation, scarcity of goods and runaway prices. Whether it was due to these controls or whether there were other fortuitous circumstances, there was hardly any fall in employment in any of these countries. At the same time, there was no fall in living standard either. On the contrary, full employment was accompanied by a rapid increase in production and a greater abundance of consumer goods.<sup>1</sup>

From this, some people have jumped to the conclusion that if there were full-fledged State ownership, allocation and distribution of resources, full employment could have been achieved much more rapidly. "When the State owns all industry, full employment can be guaranteed, because the State determines not merely the size of the total production plan but also the precise amount of labour and capital which should be assigned to the production of every kind, whether goods for immediate consumption or plant for the manufacture of more consumer goods. Under private enterprise, on the other hand, the very greater freedom for self-expression brings in its train the human obstacles to the achievement of

<sup>1</sup> *Economic Implications of Full Employment* (Cmd. 9725, London, 1956).



a full employment programme. As consumption and investment remain under multiple control, the State can, in such circumstances, attain its objective only by a policy of stimulation, compensation or restraint.”<sup>2</sup>

The above analysis overlooks the important fact that in none of the countries mentioned above has there been a complete regimentation by the State of all the factors of production and resources. It is true that there have been both planning and direction by a central authority, but enough scope was also left for private initiative and enterprise. The goal of full employment is not, therefore, unattainable even in a non-socialist economy, provided the various sectors are prepared to submit to discipline and to subordinate their sectional interests to those of the community as a whole. The State has of course to ensure that adequate new spending power is created when required and that the existing demand is made more effective by the control of monopoly and other adverse influences.

The question now arises when and to what degree the State can and should intervene in order to maintain a sufficient and properly distributed expenditure. Various answers have been given to this question. One way of achieving this end is to resort to redistributive taxation—taxation which is fair and reasonable not merely on grounds of social justice but on grounds of economic reason, i.e., to maintain full employment. In a free enterprise economy, redistributive taxation may have to be imposed in such a way that the incentive to invest is not unduly restricted. On the other hand, deficit spending (i.e., expenditure beyond revenue receipts) may have to be resorted to by Government in order to

<sup>2</sup> D. Caradog Jones, *Full Employment and State Control* (London, 1945).

maintain a high level of employment. The gross distribution of incomes may also have to be properly adjusted.

Mere redistributive taxation and deficit spending on the part of Government cannot result in full employment, if they are unaccompanied by a number of controls on the one hand, and positive measures to re-allocate the productive resources on the other.<sup>3</sup> In the former category would fall such controls as control of foreign trade, control of prices and wages, control of the total volume of private investment, etc. Under the second category, we may include the training of personnel, further opportunities for education and other measures to improve the mobility of labour.

Budgeting for full employment differs from orthodox budgeting in two fundamental respects. In an unplanned economy, even when the State departs from the traditional *laissez-faire*, its activities consist at best of a number of unco-ordinated acts of intervention. As a result, the orthodox budget is prepared with reference to available money and a Finance Minister is congratulated if he has been able to present a "balanced" budget. Even when he budgets for the future, his vision is restricted by the demarcated areas of State activity. A budget for full employment, on the other hand, has to be the over-all regulator of the factors of national income, production and consumption. Such a budget "must have clearly demarcated areas and magnitudes of public and private outlay, investment and consumption outlay, so that fiscal policy can be directed to the attainment of set goals and priorities".

Secondly, budgeting for full employment cannot afford to be an annual budget in the orthodox sense.

<sup>3</sup> A. G. B. Fisher on "Full Employment and Income Inequality" in the *Economic Journal* (London, March 1946).



Full employment cannot be achieved in a year or two, and hence outlay, whether public or private, has to be spread out over the period of the plan. "This means flexible, long-term budgeting, the pace of public outlay being adjusted to the outlay in the rest of the economy." Public outlay is not limited by considerations of orthodox finance, but by the primary economic consideration that the total outlay in the economy should not exceed, or fall short of, the net addition to real assets and national income. As a direct corollary of this, budgeting for full employment has also to distribute the total outlay between various sectors in such a way that employment is maintained at a very high level. Furthermore, in such a budget, the question whether public expenditure should be financed from taxation or from loans, becomes a very delicate matter of fiscal adjustment.

High direct taxation has certain obvious limitations. Taxation, when strained beyond a certain point, creates a new set of economic motives which may have far-reaching economic effects. For example, high direct taxation may affect the incentive to invest. Again, the augmentation of small incomes, through State expenditure covered by taxation of the large incomes, may reduce the incentive to work. Thirdly, the propensity to consume, caused by redistributive taxation, may lead to inflationary situations. The Finance Minister has to take all these probabilities into consideration and frame his taxation proposals in such a way that the economic factors conducive to a state of full employment do not receive a jolt.

All these involve a new conception of the budget. "The traditional budget is built up on a conception of Revenue and Expenditure which is largely accidental and primarily legal. The new budget has to be built up

on an *economic* conception of Revenue and Expenditure." Firstly, an estimate has to be made of the volume of total outlay required to reach full employment: this latter can be gauged from the available manpower resources of the country. The next step is to estimate the volume of private outlay on consumption and investment, and then to bridge the gap between total outlay and private outlay by public outlay. Finally, it becomes necessary to decide on the priorities between various alternative items of public outlay and to adjust the taxation programme, accordingly as there is an inflationary or a deflationary gap.

In a full employment budget, the definition of "productive outlay" also must undergo a significant change. Hitherto, "productive outlay" has meant those items of public expenditure which are self-liquidating in character and the monetary return of which is by itself adequate to cover the interest charges on borrowing made by the State. When full employment is the objective, "productive outlay" includes not merely the items of expenditure referred to above, but all expenditure on health, education, research, housing, etc., which add to the real income of the community. The State would, therefore, be justified in meeting such expenditure from loans.

It may be argued that this huge public capital outlay for social purposes would result in a deficit budget and add to the public debt. This is no doubt true, but one should not overlook the fact that, on the credit side, there would be valuable additions to national resources and skills. Moreover, if a choice has to be made between a rising public debt and chronic unemployment, the decision should be obvious. No modern State can afford to leave a certain margin of the community's productive resources un-utilized—for that is what unemployment



implies. Finally, the burden of internal public debt does not diminish the total real income of a community, but only involves a certain degree of inter-personal transfers. Such a debt is burdensome only in the sense that it involves taxation of certain classes of people to pay the interest charges to the lenders.

In all plans of full employment, deficit spending becomes a normal feature of the budget. This need not upset us, because what is more important is not the volume of indebtedness which is created, but the purposes on which the borrowed funds are spent. If borrowed funds are spent on the creation of durable assets like roads, schools, hospitals, etc., or on such research as increases efficiency and productivity, they help to accelerate economic progress and also to maintain full employment.

It has been argued by some economists that, in under-developed countries with unlimited supplies of labour, a programme of full employment means a brake on economic progress. According to them, the spreading of available and potential employment among the largest possible number of people may lead to larger expenditure on personal consumption and may also retard the growth of the "capitalist sector" which alone can save and invest. So they urge that the emphasis should be on economic development as such, and not on full employment. This, however, is mere quibbling. There is no essential antithesis between economic development and full employment. The latter merely represents the *social* objective of an essentially *economic* programme. It is now universally accepted that welfare rather than wealth should be the goal of all economic efforts—not merely of distribution and consumption, but also of production and exchange.

## CHAPTER V

# UNEMPLOYMENT—ITS MANY FACETS IN INDIA

So far, we have analysed the nature and extent of the unemployment problem as it exists in industrially advanced countries. Let us now consider what unemployment means in the context of Indian conditions. Is the problem of unemployment fundamentally different in this country, or is it more or less the same as in Europe and America?

The answer is both "Yes" and "No". In so far as unemployment means a state of affairs in which, for various reasons, men have to remain without jobs over many months or even several years, the problem of unemployment is essentially the same in India as in the more advanced countries of the West. On the other hand, there are aspects of unemployment in our country which are materially different from what we find in Europe and America.

A study of the unemployment situation in different parts of the world since the end of World War II shows that it has varied from country to country. In the majority of the industrially developed countries, unemployment has remained at low levels in comparison with the pre-war levels. In fact, in many of such countries, the problem has been one of shortages of certain skills rather than of unemployment. But unemployment has remained as serious as ever in the under-developed countries.

The most common type of unemployment to be met with in industrially advanced countries can be attributed



to a fall in the effective demand for goods and services, or, more precisely, to the inability of this demand to keep pace with the increase in working population. The trade depression in the 1930's with the consequent increase in unemployment was due to this reason. This type of unemployment is often cyclical in character and may be caused by fluctuations in industry marked by alternative periods of boom and depression. A similar situation prevailed among the industrial workers of India during the thirties of the present century. Again, from about 1950 onwards and until the First Five Year Plan really got into stride, there were large numbers of men and women without work among this section of the population.

Then there is another type of unemployment which is caused by workers moving from old jobs to new jobs. This is frictional unemployment, caused by changes in the industrial structure which are constantly occurring as a result of the adoption of new machinery and techniques, and also as a result of demand shifting from one product to another. Frictional unemployment was very much in evidence during the quinquennium following the termination of the last War, mainly because of delays in re-conversion of industries from wartime to peacetime footing. Thanks, however, to the speed with which such adjustments were made, both its volume and its duration were considerably reduced in the industrially advanced countries.<sup>1</sup>

Not so, however, in India. The process of rationalization which has had to be resorted to by many industrial

<sup>1</sup> To a certain extent, frictional unemployment is bound to exist even in the best organized economies. Most economists regard about 1 to 2 per cent unemployment among the industrial workers of a country as both natural and inevitable.

undertakings since 1950, mainly because machinery had become worn out or obsolete, resulted in the loss of jobs by large numbers of workers. In the textile industry in particular (both jute and cotton textiles), the situation became so awkward that Government stepped in, virtually prohibiting rationalization unless displaced labour could be found alternative employment by the industry itself.<sup>2</sup>

The most distressing aspect of the unemployment problem in India is the state of chronic involuntary idleness among two important sections of the population, viz., the agricultural class and the educated middle class. Unemployment among these two classes is the manifestation of a much more deeply rooted malady than the mere lack of adjustment between the supply of and demand for labour.

Let us start with the agricultural population first. For at least five to seven months in the year, the very large number of people who derive their livelihood from agriculture have to remain idle or "unemployed". The gravity of this aspect of the unemployment problem can be gauged from the fact that at least 67 per cent of the total population of India is ultimately dependent on agriculture, pasture, fishing and hunting as profession. This is due to a number of factors. Population has been steadily on the increase—it jumped from 315 millions in 1941 to 357 millions in 1951—but there has been no corresponding increase in the amount of land brought under cultivation nor has there been any appreciable change in the farming technique. There are 73 million agricultural workers of all kinds engaged on 360 million acres of land in India as against only 8 million workers on 360 million acres in the U.S. As has been well

<sup>2</sup> V. V. Giri, *Labour Problems in Indian Industry* (Bombay, 1959).



remarked by a recent writer, "the population problem in India is that of population pressure on the natural resources, particularly on land". While India's population has grown relatively rapidly, the relationship existing between this population and national productivity has remained more or less static. Income from the land is hardly, if ever, sufficient for the cultivator or agricultural labourer to make both ends meet and yet there have been no other sources of productive employment available in the villages. There is a conspicuous absence of occupations subsidiary to agriculture and such sources of rural income as horticulture, dairy-farming, bee-keeping or poultry-farming are confined to only certain "advanced" tracts and even there they touch only a small proportion of the rural population.

The net result of this chronic state of unemployment among the Indian agricultural population has been that whenever there is a periodic occurrence of scarcity or famine, due to either natural or man-made causes, there follow, firstly, a partial or complete stoppage of agricultural operations over wide areas and, secondly, the disengagement or further unemployment of a still larger number of agricultural labour.

It is interesting to note that although 69·4 per cent of the population in India is engaged in agriculture and allied occupations, the country is still dependent on imported food. By contrast, barely 11·6 per cent of the population in the U.S.A. is so engaged and yet they not only produce enough food for themselves, but also export large quantities to other countries. As a matter of fact, according to the Census of India Report, 1951, in India there is only 2·25 acres of land *per capita*, as against 12·64 acres in the U.S.A. The *per capita* availability of cultivable land is even less—0·97 acre in

India as against 7·41 acres in the U.S.A. Landless agricultural labourers (as distinct from the actual cultivators) constitute 27·39 per cent of the total number of persons engaged in the occupation of agriculture.

What then is the remedy? The remedy lies in increasing both agricultural production and the productivity of agriculture. Not only must more land be brought under cultivation, but the entire organization and technique of farming should be revolutionized. Land must be made to yield very much more than it has done so far: an acre of cultivated land must be able to feed a much larger number of population than hitherto. This cannot be achieved by mere rotation of crops, intensive irrigation, better drainage or sowing of better seeds: no such half-hearted measures would solve the problem of rural unemployment if the organization of farming is left untouched. Technological schemes of increased production cannot work on an uneconomic holding of a size of no more than two to four acres, nor can a peasantry which has been virtually reduced to a state of serfdom find the incentive or enthusiasm to work out such schemes. The yield of wheat per acre in India is almost half of that in the U.S.A., and that of cotton, about one-fifth of the yield in the latter country. While this disparity is due to some extent to natural differences of soil fertility, it is largely due to the use of backward methods and to the fact that more people are quartered on land than it can comfortably support.

The problem will, therefore, have to be tackled at the organizational end: the existing organization of agricultural production will have to be replaced by group farming and mechanization. The unit of management must be increased first: "without group control over the management of land, it is not possible to create an



organizational framework for bringing about a better agriculture, for assuring equality and freedom to suppressed groups, for integrating the rural and industrial economy, and, finally, for creating new social values and incentives.”<sup>3</sup> Modern machinery and modern science can triumph over obstacles only when they are tried out on a fairly large scale. The advantages of large holding farming are not merely that specialized and expensive machinery can be operated continuously on such holdings: the other advantages are that the farm itself can operate more economically. For instance, farm buildings and other capital equipment represent a smaller relative expense as the size of the farm increases. Again, labour costs are reduced because each worker can be put to the task for which he is most suited. Finally, marketing economies can be secured by buying and selling on a large scale.

There must also be more liberal use of machinery and equipment on the larger holdings brought into being by group management. This does not mean that India should forthwith import the colossuses of the Russian steppes—multi-furrow ploughs, 40 h.p. tractors and sixty-foot combine-harvesters. It only means that various kinds of small barn machinery, e.g., the chaff cutter, the root slicer, the hay elevator, the threshing machine, the water pump, the liquid manure pump, etc., should be obtained and made use of in the new holdings. It also means that the cultivator must be educated to handle improved implements, and experts must be placed at his disposal to attend to all matters relating to mechanical appliances and their use on land.

Any effort to rationalize agricultural production is likely to displace a very large number of workers and, as a result, the extent of unemployment among the

<sup>3</sup> Tarlok Singh, *Poverty and Social Change* (Calcutta, 1945).

agricultural population is likely to increase rather than diminish.<sup>4</sup> As has been well remarked by an authority on agricultural farming, "the speed at which farming can be rationalized and mechanized would depend on the speed at which surplus labour can be transferred from the land to other occupations and at which agricultural wages can be raised". While it can be argued that technological developments in agriculture would themselves enable a somewhat larger population to be supported, it is obvious that, in the transitional period at any rate, "other occupations" will have to be found to which surplus agricultural labour can be transferred. This can be achieved only by planning a new economy—embracing both agriculture and industry. As far as the rural population is concerned, planning for new occupations should embrace reorganization of village handicrafts, processing of local products and decentralized production of certain processes or stages of organized industry. Finally, it is probable that, as in other countries, "tertiary" occupations<sup>5</sup> will also grow in this country and new outlets appear in the sphere of industrial employment. One need not be surprised if, in the course of a few years, the pattern of occupational distribution becomes very different from what it is today.

We now come to the unemployment which has been prevalent, ever since the twenties of the past century, among the intellectual and clerical or soft-handed workers constituting the so-called middle class. Middle-class

<sup>4</sup> For a very interesting analysis of the probable extent of such displacement, the reader is referred to Chapter V of *Poverty and Social Change* by Tarlok Singh (Calcutta, 1945).

<sup>5</sup> These include all economic activities producing a non-material output, e.g., distribution, transport, public administration, domestic service, etc.



unemployment became rather acute after the first World War, particularly during the period 1920-37. As a result, a number of Provinces and States set up special Committees to investigate the nature and extent of the problem. Even the Royal Commission on Labour which reported in 1931 discussed the subject. The reports of all these Commissions and Committees showed that the problem was not localized, but had an all-India character ; that, affecting as it did the nation's intelligent manhood, it produced a general demoralization which was cumulative in its effect from generation to generation ; and, finally, it struck at the very root of ordered progress inasmuch as the victims of it could not help nursing a strong sense of personal injury against a state of affairs for which they themselves were not responsible.<sup>6</sup>

For obvious reasons, unemployment among the educated classes has attracted much greater notice than unemployment and under-employment among the rural population. Public demand for an enquiry became so insistent that, in September 1955, the Planning Commission set up a Study Group for the purpose of assessing the extent of the problem and for working out schemes which would help tackle it. This Group submitted its report in January 1956. Within the short time at its disposal, it could not make a detailed regional analysis of the problem : it, however, made an overall appraisal and came to the conclusion that the malaise was the cumulative result of education having been directed along a single channel, largely unrelated to the economic development of the country.<sup>7</sup>

<sup>6</sup> Vide the author's *Industrial Planning : Why and How* (Calcutta, 1944).

<sup>7</sup> Planning Commission, *Outline Report of the Study Group on Educated Unemployed* (New Delhi, 1956).

According to the survey made by the Study Group, the number of educated persons in India was 38 lakhs in 1951 and that this number is likely to swell to 66.5 lakhs in 1960.<sup>8</sup> The "educated unemployed" were estimated to reach the formidable figure of 20 lakhs in 1960. With this as the background, the Study Group suggested a number of short-term measures like the setting up of Work and Orientation Camps, expansion of the Co-operative Organization, establishment of Transport Co-operatives for goods traffic and the setting up of small-scale industries. They themselves, however, admitted that these measures could touch only the fringe of the problem. For a permanent solution, much more drastic remedies were necessary.

It was while suggesting long-term remedies that the Study Group lost itself in a maze of contradictions. It recognized that there had been a continuing increase in the number of young persons passing matriculation and higher examinations and that, with the spread of education, this trend would be further strengthened. To quote its own words, "the proportion of educated persons in the labour force would increase continually for a long time to come". Yet, it made rather halting recommendations in regard to the reform of the educational system, presumably because it did not wish to antagonize public opinion by setting its face against the popular craze for degrees and diplomas. While some of the earlier Committees had the courage to stress the need for "restricting admission to secondary schools and colleges and the opening of higher grade industrial technical schools", the Study Group merely said that

<sup>8</sup> The term "educated persons" was applied to those who had passed at least the matriculation examination. It included of course all degree and diploma holders.



“ a detailed examination should be made of the outturn of educated and trained persons *vis-à-vis* the demand for them in the economy, in its regional, occupational and other important aspects ”. Its recommendation that adequate facilities be provided for professional training at all levels was as lukewarm as its pious hope that “ the march to colleges on the part of young persons should be discouraged ”.

Since the Study Group reported, a number of employment and unemployment studies have been made by the Manpower Division of the Ministry of Labour and Employment, Government of India. Two of such studies, viz., *The Pattern of Graduate Unemployment* and *Unemployment in Urban Areas*, throw further light on the state of unemployment among the educated middle class.<sup>9</sup> It was found that in May 1957, there were as many as 26,297 graduate employment-seekers registered at all the Employment Exchanges in the country and, of these, purely Arts degree-holders constituted 58·7 per cent, followed by Science graduates (26·3 per cent) and Commerce graduates (15 per cent). With an average turn-out of 86,672 degree-holders per annum from all over the country, the figure of 26,297 graduate unemployed tells its own story. A majority (65·4 per cent) of these unemployed persons having been below 25 years of age, it would not be unreasonable to conclude that they came from the batches which had passed out during, say, the previous three years only.

The same pattern can be seen in the *Report on Unemployment in Urban Areas*. According to this survey, unemployment in urban areas was most acute among the

<sup>9</sup> These two reports were published in January 1958 and March 1959 respectively. The studies were based mainly on statistics maintained at the various Employment Exchanges.

educated persons : in relation to the labour force in each group, its incidence was 15·6 per cent among matriculates, 15 per cent among intermediates, 10·1 per cent among literates below matriculation standard and 9·1 per cent among graduates. It was also found that as many as 80 per cent of the educated unemployed were of 24 years of age or under.

A further study embracing the whole of India has recently been made of the educated unemployed. According to this, the proportion of the registered unemployed at the various Employment Exchanges to the number that passed out of schools/colleges during the previous year, increased, during 1952-58, from 38·5 to 50·7 in the case of matriculates, from 14·5 to 19·6 in the case of intermediates and from 26·0 to 26·3 in the case of graduates. With an anticipated increase in the output of schools and colleges during the years ahead, unemployment among the educated classes is bound to increase still further.<sup>10</sup>

Something really drastic must, therefore, be done about the present educational policy under which universities turn out graduates of all descriptions on mass production lines. They can hardly be called "educated" in the real sense of the term. As has been pointed out by an eminent educationist, "when higher education is deplorably inefficient and cheap, it cannot but attract a large number of young men and women who are too

<sup>10</sup> Vide the cyclostyled Paper on *Unemployment in Urban Areas in India* prepared by the Manpower Division of the Ministry of Labour, Government of India, in March 1959. "The increase in the educated labour force is likely to be followed by an increase of unemployment in this sector from 3·5 to 5·25 lakhs during the Second Plan period and from 5·25 to 7·35 lakhs during the Third Plan period."



incompetent to benefit from a higher standard of instruction, or are too poor to make their contribution towards maintenance of that standard." Even at the risk of being dubbed reactionary, Government must assume powers to put at least a temporary stop to the setting up of more colleges and universities of a non-specialized character. Definite competitive tests and a stiffening of standards can weed out a large number of candidates and put a stop to the useless dissipation of energy involved in getting a degree. Improvement of the educational standards may also lead to a change in the general outlook of the people : instead of looking down upon manual or hard-handed occupations, middle-class youths may discover that their talents and energies are no less suited to these than to soft office jobs.

There should also be provided, at the school-leaving age, much wider facilities for technical and professional training. In doing so, care should be taken to ensure that the probable demand for various categories of technical and professional personnel is carefully determined in advance so that more people are not turned out of these institutions than the country can conveniently absorb. Already it has been found that there are not enough jobs to go round even for persons possessing certain professional qualifications. It would be poor comfort, therefore, if the number of educated unemployed were simply transferred from one set of occupational groups to another.

Reform of education alone will not solve the problem of middle-class unemployment. Economic development, particularly industrial development, must also proceed apace—to catch up with the annual increase in the total working population. The so-called middle classes would then benefit in at least three ways. Firstly, the starting of new industries would increase the demand for

educated men possessing technical and professional qualifications. Secondly, small-scale industries, linked with large-scale factory undertakings, are bound to grow, as the tempo of industrialization increases. These would themselves absorb a substantial portion of those who, in the absence of such openings, now crowd the registers of Employment Exchanges. Thirdly, further industrial development should create new opportunities in the tertiary sector: many of the educated unemployed would find employment as traders and salesmen.

The problem of unemployment in India should also be viewed against the background of the almost unbelievable poverty of the people. This poverty is the consequence of general unemployment and chronic under-employment—a state of affairs which is not confined to any particular class or community, but is all-pervading and omnipresent. In the highly industrial countries of the West, unemployment is confined more or less to those occupational categories which depend on industry for their employment. Secondly, at least the employed sectors of the population have a relatively high *per capita* income. Not so in India: here, unemployment is a chronic feature among almost all the occupational groups. In addition, there is a considerable amount of under-employment (with a very low *per capita* income) even amongst those who are shown in census returns as persons gainfully employed.<sup>11</sup>

<sup>11</sup> According to the recently published statistics of the *Agricultural Labour Enquiry*, casual labourers who constitute 85 per cent of the total agricultural labour force get an average daily wage of Re. 1 for men and 69 nP for women, against an estimated average of Rs. 3.37 in the case of men factory workers. The average *per capita* income of agricultural labour is said to be Rs. 104 as against a *per capita* income of Rs. 264 for the entire people.



No precise data are available of the increase in unemployment in our country, but in a paper read by Mr. P. K. Wattal before the All-India Population Conference held in Bombay in 1935, it was brought out that the percentage of (i) total not-working able-bodied male population aged 10-60 to (ii) total able-bodied male population aged 10-60 was increasing steadily since 1901. According to this paper, the percentage of unemployed population moved up as follows.

<i>Year</i>	<i>Percentage of unemployed population</i>
1901	7.1
1911	7.6
1921	10.3
1931	14.2

No figures are available for the census year 1941 and the whole basis of classification was changed from the census year 1951. Mr. Wattal has, however, estimated that in 1951 the figure shot up to 20 per cent.<sup>12</sup>

<sup>12</sup> P. K. Wattal, *Population Problem in India* (New Delhi, 1958). The fact that, according to the census returns, the number of non-earning dependants increased from 56 to 60 per cent between 1931 and 1951 can also be regarded as a rough index of the rise in unemployment.

## CHAPTER VI

### POPULATION PRESSURE, OCCUPATIONAL PATTERNS AND UNDER-EMPLOYMENT

WHATEVER may be the differences of opinion in regard to the causes of unemployment, it is now common ground that the problem is becoming more and more acute in India on account of the phenomenal increase in population every year. Within the last fifty years or so, the population has jumped by 121·4 millions, as would be evident from the following table.

<i>Year</i>	<i>Population (Millions)</i>
1901	235·5
1911	249·0
1921	248·1
1931	275·5
1941	314·8
1951	356·9

According to demographers, the annual rate of increase has gone up from 1·3 per cent during 1941-51 to at least 2 per cent since. It is estimated that the population would reach anything between 430 and 440 millions at the census of 1961. This acceleration in the rate of growth is attributed to a fall in the mortality rate (as a result of better sanitation, better health measures and more comprehensive medical care) without any corresponding fall in the birth or fertility rate. Although some demographers seem to think that there would be



a substantial fall in the birth and fertility rate from about 1965 onwards, others are not so optimistic. Some of the latter envisage that population in India would be between 496 millions and 532 millions in 1971.<sup>1</sup>

It is the "working population" and not the total population which is of significance in relation to both availability of jobs and economic development. In so far as India is concerned, a substantial proportion of its population happens to be below age 15, with the result that those in the age-group 15-50 (these are the people who seek employment and who also contribute to economic development by the work they put in) are relatively fewer in number, in relation to total population, than in the economically advanced countries of Europe and America. It has also been found by demographers that, whatever may be the various alternative population projections according to different assumptions, the "working population" is not likely to vary under any of these assumptions during the next decade or two.<sup>2</sup>

The term "working population", however, includes women who, under Indian conditions, generally perform essential home services and do not seek gainful employment outside the household. If they are excluded, we get a truer picture of the pressure of the "actual working

<sup>1</sup> e.g., Ansley J. Coale and Edgar M. Hoover, *Population Growth and Economic Development in Low Income Countries* (London, 1958). By contrast the forecast of the Commissioner for 1951 census was that the population would reach 407 millions in 1961 and 464 millions in 1971. On the other hand, it has been stated in the *Draft Outline of the Third Five Year Plan*, that the anticipated rates of growth of population in the Third, Fourth and Fifth Plans would be 2.14 per cent, 1.9 per cent and 1.47 per cent respectively.

<sup>2</sup> Coale and Hoover, *op. cit.*

classes" on the employment market. The rate of the growth of the urban population also gives an indication of this pressure. There has been a slow but steady shift towards urbanization since 1941. The urban population increased from 13.9 per cent in 1941 to 17.3 per cent in 1951 and the indications are that the shift has increased still further since. According to the National Sample Survey on Urban Employment, nearly 9.4 per cent of the labour force in the urban areas were without work in 1953. Even assuming that the "proportion" of unemployed persons in the urban areas has remained unchanged since the last National Sample Survey was conducted (rather an optimistic assumption), it is obvious that the absolute pressure of the urban unemployed has increased still further. This is also borne out by the *ad hoc* evidence collected from time to time by some State Governments and by the Manpower Division of the Ministry of Labour and Employment, Government of India.<sup>3</sup>

At the same time, the general pattern of distribution of the working classes among the three occupations (primary, secondary and tertiary) does not appear to have changed appreciably during the past thirty years or so. Factory employment, expressed as percentage of the total working force, remained steady at 2.03 per cent between 1950 and 1955 and increased to only 2.23 per cent in 1957. Final data are not available for 1958, but the provisional estimate is that the percentage would be less than what it was in 1957.<sup>4</sup>

<sup>3</sup> According to an article published by Mr. T. N. Krishnan in the *Artha Vijnan* of June 1959, urban unemployment increased by at least 32 per cent between 1953 and 1955. The data for later years do not indicate any diminution of this rate of increase.

<sup>4</sup> Vide *Paper on Employment and Social Policy* by Prof. D. R. Gadgil and Dr. V. K. R. V. Rao (New Delhi, 1959).



Strictly comparable figures of the occupational distribution of the working classes in various countries are not available, but Colin Clark worked out the following rough table in his famous book, *Conditions of Economic Progress* (Third Edition).

	<i>Primary occupations (Per cent)</i>	<i>Secondary occupations (Per cent)</i>	<i>Tertiary occupations (Per cent)</i>
United Kingdom (1951)	4.5	49.7	45.8
United States (1950)	11.6	37.4	51.0
West Germany (1950)	11.8	49.0	39.2
France (1951)	20.2	41.4	38.4
Japan (1950)	32.6	34.6	32.8
India (1951)	69.4	10.7	19.9

As is well known, "primary occupations" are mostly agriculture, "secondary occupations" are mostly industries, including mining and construction, and "tertiary occupations" include all other economic activities, such as commerce, finance, professions, public administration and domestic services. The very high proportion (69.4 per cent) engaged in agriculture, the productivity of which is already very low, is a drag on the economy of the country. The abnormally low proportion (10.7 per cent) engaged in industries is another index of relative economic backwardness. The comparatively large proportion (19.9 per cent) engaged in tertiary occupations is not, however, a sign of progress, as it contains a very large section of the working force which is driven to earning a meagre pittance as petty tradesmen and domestic servants and in low paid odd jobs of various kinds.

No precise information is also available about changes in the distribution of the working force in India in the

various occupations.<sup>5</sup> Although the census authorities have been collecting data regarding occupations since 1901, the relevant terms (e.g., "gainfully occupied population", "occupation", "dependants", "workers", "working dependants", etc.) have been defined in such diverse fashion at different census that even the National Income Committee could not draw any useful conclusions therefrom. They, however, worked out an approximate picture of the trend from 1941 to 1951 as follows.

	1941			1951		
	<i>Self-sup- porting persons (lakhs)</i>	<i>Earning depend- ants (lakhs)</i>	<i>Total working force (lakhs)</i>	<i>Self- sup- porting persons (lakhs)</i>	<i>Earning depend- ants (lakhs)</i>	<i>Total working force (lakhs)</i>
Agricultural classes	690	171	861	720	283	1,003
Production other than cultivation	131	33	164	123	44	167
Commerce	60	9	69	60	13	73
Transport	14	2	16	17	3	20
Other services and miscel- laneous sources	99	21	120	128	41	169
Non-agri- cultural classes	304	65	369	328	101	429

<sup>5</sup> According to the figures cited by Colin Clark, however, those engaged in primary occupations remained more or less stationary between 1931 and 1951, while there was a drop from 14.6 to 10.7 per cent in secondary occupations. At first, this may appear queer,



As percentages of the total population, the distribution of the working force was as follows in 1941 and 1951.

	1941			1951		
	<i>Self-sup- porting persons</i>	<i>Earning depend- ants</i>	<i>Total working force</i>	<i>Self-sup- porting persons</i>	<i>Earning depend- ants</i>	<i>Total working force</i>
Agricultural classes	21.6	5.4	27.0	19.9	7.8	27.7
Production other than cultivation	4.1	1.0	5.1	3.4	1.2	4.6
Commerce	1.9	0.3	2.2	1.7	0.3	2.0
Transport	0.4	0.1	0.5	0.5	0.1	0.6
Other services and miscel- laneous sources	3.1	0.7	3.8	3.5	1.2	4.7
Non-agri- cultural classes	9.5	2.1	11.6	9.1	2.8	11.9

The occupational distribution thus hardly underwent any change during the period 1941-51.<sup>6</sup> It now remains to be seen whether the 1961 census will tell a different story.

but the drop can be easily explained. The period 1931-51 was a period of disintegration of small-scale and cottage industries and many workers, hitherto classified under secondary occupations, moved into the tertiary sector in low-paid odd jobs of various kinds.

<sup>6</sup> *Final Report of the National Income Committee* (New Delhi, 1954).

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The same picture is presented by another estimate of the distribution of the working force during the years 1948-49, 1949-50 and 1950-51.

	1948-49		1949-50		1950-51	
	No.	P.C.	No.	P.C.	No.	P.C.
	(lakhs)		(lakhs)		(lakhs)	
Agriculture	1,005	72.4	1,021	72.4	1,036	72.4
Mining, manufac- turing and hard trades	151	10.9	152	10.8	153	10.6
Commerce, transport and com- munications	108	7.8	109	7.7	111	7.7
Professions and services	124	8.9	128	9.1	132	9.3
Total working force	1,388	100	1,410	100	1,432	100

The total working force increased by 44 lakhs, but the increase was uniformly distributed among all the sectors.

We have already seen that, at least in the rural areas, the problem is really one of under-employment. Under-employment is not, however, confined to the rural sector: it occurs, though on a lesser scale, in the urban areas as well. According to the Preliminary Survey of Urban Employment conducted by the National Sample Survey organization in September 1953, in towns with a population of 50,000 and above, the under-employed



constituted 26·32 per cent of the gainfully occupied persons.<sup>7</sup> In another survey embracing both the urban and rural sectors, it was found that 47·72 million persons (29·38 per cent of the gainfully employed) worked with less than full intensity, out of which 19·38 million persons (11·94 per cent of the gainfully employed) worked with intensity quarter or less. The under-employment of at least half of these 47·72 million persons was due to causes beyond their control, e.g., lack of demand, lack of equipment and raw materials, slack and off season, etc.

It would now be realized how very serious the situation is in the context of the present and prospective rate of population growth. Despite progress in agricultural and industrial production and a steady rise in the national income, the problems of unemployment and under-employment continue to dominate the economic scene. According to the Planning Commission, the Third Plan, which is due to commence in April 1961, would start with a backlog of about 7 million unemployed. New entrants to the labour force during 1961-66 are estimated to be at least another 14 to 15 millions. This means that a total of 21 to 22 million persons would be in the employment market during the Third Plan period. To this has to be added the considerable volume of under-employment or "invisible unemployment" that prevails all over the country, particularly in the rural areas.<sup>8</sup>

<sup>7</sup> Out of the 26·32 per cent the severely under-employed (i.e., those with employment intensity quarter or less) constituted 9·83 per cent. Vide also *NSS Report No. 14 on Some Characteristics of the Economically Active Population* (New Delhi, 1959).

<sup>8</sup> Planning Commission, *Draft Outline of the Third Five Year Plan* (New Delhi, 1960).

All these facts reinforce the case for an active population policy. The view that, in a developing economy, potential surpluses of manpower, if suitably mobilized, would make for rapid progress, assumes that complementary resources are adequate or easily available. This, however, is not the case. India does not have an unlimited supply of capital equipment and technical know-how, and is deficient even in respect of some industrial raw materials. Secondly, there are the inevitable limitations of organization: in an economy functioning under a democratic set-up, it is not possible to "mobilize" the various "factors" and "resources" in the manner in which it can be done in a totalitarian regime.

We thus see that, in the context of the relative scarcity of other complementary resources and also of the desire to proceed with the execution of plans in a democratic fashion, the so-called economic potentiality of the human resource loses much of its significance. Government must, therefore, recognize that the population has already reached the point at which density and rapid growth are definitely impeding economic development. It should try to "stabilize" the population growth at an optimum rate so that the benefits of economic expansion are not swallowed up by a geometric increase in population. It is not denied that, because of custom and tradition, and also because of the poverty of the people, family limitation is not an easy matter in a country like India, but that merely underlines the need for effective and urgent action.<sup>9</sup>

Attention may be drawn, in this connection, to the remarkable success of family planning in Japan. According to the latest bulletin of the Population Research

<sup>9</sup> Vide also Kingsley Davis, *The Population of India and Pakistan* (Princeton, 1951).



Bureau in Washington, the birth rate in Japan has been brought down from 34·3 per thousand of population in 1947 to 18 per thousand in 1958. It is true that Japan has got some special advantages. The majority of its people live in cities and can, therefore, take advantage of competent medical advice. With universal literacy, they can also learn birth control methods more easily. Again, with a far higher standard of living, they can afford to buy contraceptives. Finally, abortion has been legalized in Japan, a step which would be anathema to Indian sentiment. Even so, the real reason for success lies in the high priority given to family planning in Japan. Experts have calculated that, with the present birth rate and the expected fall in the death rate, India will have to feed as many as 532 million mouths in 1971, while, with a linear decline in the birth rate by a total of 50 per cent in the next ten years, there would be only 496 million mouths to feed that year. An effective birth-control campaign now can thus save India the trouble of having to feed at least 36 million additional mouths ten years hence.<sup>10</sup>

While on this subject, mention may be made of the popular belief that there is an inverse relationship between wealth or income and birth rates. That this relationship exists in Western countries is not denied (as a matter of fact, this has been established through many local and regional studies), but very little reliable data are available to show that the same trend obtains in India. Whatever fragmentary evidence is available points to the conclusion that Indian experience does not conform to the Western pattern: on the other hand, it seems probable that, in India, fertility is directly

<sup>10</sup> Twenty years hence, i.e., in 1981, the difference would, according to Coale and Hoover, be of the order of 120 million mouths.

co-related to economic status.<sup>11</sup> In other words, unless positive measures are taken, births would increase rather than go down in the immediate future, as the standard of living goes up.

<sup>11</sup> Reference is invited to the *Report on Relationship between Fertility and Economic and Social Status in the Punjab*, based on a study carried out in 1939 by Mr. S. P. Jain under the auspices of the Board of Economic Enquiry, Punjab. Attention may also be drawn to Census of India Paper No. 2 of 1955, the Sample Census of Births and Deaths, 1952-53, and other relevant census papers.



## CHAPTER VII

# EMPLOYMENT EXCHANGES AND UNEMPLOYMENT

It would be desirable to discuss at this stage how far an Employment Exchange Organization can help in solving the problem of unemployment. To give a proper answer to this question, we must analyse the functions of Employment Exchanges first.

The general object of an Employment Service is to bring together employers needing workers and workers seeking employment in such a manner that the employers find suitable workers and the workers find the jobs best suited to their qualifications, experience and tastes, as rapidly as possible. Lately, however, the emphasis has shifted from the mere organization of placing work to more planned action. In the Employment Service Recommendation (1948) of the International Labour Office, for example, it was stated that the objective should be "to ensure, in co-operation with other public and private bodies concerned, the best possible organization of industrial, agricultural and other employment as an integral part of the national programme for the full use of productive resources". Before the last War, the Employment Service was conceived as a passive organization, preoccupied with routine matters connected with the placement of workers and administration of unemployment insurance schemes and other measures for the relief of unemployment. In the post-war period, this became an organization concerned more with helping to achieve the best possible distribution of workers

within the economy and in full harmony with the national policy of the country than with routine placement work.

An Employment Service cannot increase the quantum of employment : it can do little or nothing to solve the problem of unemployment as such. On the other hand, by promoting the mobility of labour, it can certainly alleviate frictional unemployment. Further, this organization, if properly developed, can draw attention to the volume and nature of unemployed labour at any particular time and in any particular area so that the State can take suitable steps for its productive utilization. When, as a result of technological changes or natural disinclination, workers are involved in occupational changes, only a well-organized Employment Exchange Service can provide the necessary data regarding these changes, from which a planned programme of effective utilization of labour can be worked out.<sup>1</sup>

During the last three decades, the Employment Exchange Organization has made tremendous strides in the highly industrialized countries of Europe and America. In Great Britain, Employment Exchanges were set up and organized under the Labour Exchanges Act of 1919. At the present moment, the whole country is covered with a network of Exchanges and branch offices, numbering over 1,500, under the control of the Ministry of Labour. In France, since 1925, it is compulsory for towns of more than 10,000 inhabitants to set up a municipal Employment Exchange. In Germany, public placing was entrusted in 1927 to the Federal Institution for Employment Exchanges and Unemployment Insurance under the supervision of the Federal Ministry of Labour. Even relatively backward countries

<sup>1</sup> International Labour Office, *Employment Exchanges* (Geneva, 1933).



like Bulgaria, Greece, Hungary, Poland and Yugoslavia had public Employment Exchanges functioning long before the outbreak of the last War. Japan had her free Employment Exchanges set up by local authorities in and from 1921. The U.S.S.R. by an Order (1931) set up public "Staff Offices" in all industrial areas and these offices were charged with the duty of satisfying labour requirements throughout the country in accordance with the Soviet economic plan. In the U.S.A., a number of States had set up public Employment Services in the first two decades of the present century, and the Service was reorganized on a Federal-State basis in 1933. Immediately after the entry of the United States into the last War (in 1942), the Service was transferred to the Federal War Manpower Commission in order that its facilities could be used for civilian manpower mobilization. Even when the War ended, the Service continued to remain under Federal supervision and co-ordination.<sup>2</sup>

In India, a beginning was made only under the stress of the War, when the supply of skilled labour was found to be inadequate for the growing needs of the War.<sup>3</sup> No proper Employment Service was, however, organized until after the end of the War when, in 1945, Government decided to set up a network of Employment Exchanges to facilitate the orderly absorption in civil life of the large number of Services personnel and war workers who were going to be set free. Very soon,

<sup>2</sup> For further details, vide International Labour Office, *Report on the Employment Service Organization* (Montreal, 1946).

<sup>3</sup> These wartime Exchanges functioned under the control of the National Service Labour Tribunals which had been established in the second year of the War : the Exchanges were merely a branch of these Tribunals and a means for ensuring that all available technical personnel was fully utilized to meet the demands of industry.

however, it was considered expedient to widen the scope of these Employment Exchanges to cover other categories of personnel as well and, early in 1948, they were thrown open to all employment-seekers. Today, there are nearly 250 Employment Exchanges functioning in the country, catering for all persons who are in search of work. The plan is to have, in the not-too-distant future, an employment office in every district.

These Employment Exchanges had to pass through rather an anxious time owing to the lack of a firm Government policy about their future. The uncertainty arose because control was divided between the Central Government and the States, and also because the staff manning these Exchanges were being continued on an *ad hoc* basis from year to year. In 1952, Government of India set up a high-powered Committee with Mr. B. Shiva Rao, M.P., as Chairman, to enquire, among other things, into the whole question of the future of the Employment Service, and also whether legislation should be introduced making it compulsory for industry to recruit its personnel through Employment Exchanges. This Committee submitted its report to Government in 1954.<sup>4</sup>

After tracing how Employment Exchanges came into being in India during World War II, more or less as appendages of the National Service Labour Tribunals set up to administer the National Service (Technical Personnel) Ordinance of 1940, the report described how, despite unhelpful attitude from various quarters, these offices found employment for over 2·16 lakhs of persons during the twenty-four months prior to

<sup>4</sup> Vide *Report of the Training and Employment Services Organization Committee* (New Delhi, 1954). The Committee is better known as the Shiva Rao Committee.



Independence and another 18·17 lakhs between August 15, 1947 and August 1953. Even after making allowances for placements which were of a casual nature and others in which Employment Exchanges did not play a direct part, these figures constituted an impressive record. The Committee, however, felt that the State Governments were not co-operating to the extent desired and, therefore, recommended that the day-to-day administration should be handed over to them, the Central Government remaining responsible for laying down policy and standards and for co-ordination and supervision. The most important recommendation was that the Employment Exchange Organization should be placed on a permanent footing without further delay. The Committee also suggested that Government might introduce legislation, making it obligatory for all employers, both Government and private, to notify their vacancies to these Exchanges.

During the three years that followed, most of these recommendations were given effect to. A bold programme of expansion and development was included in the Second Five Year Plan and the Manpower Division of the Ministry of Labour and Employment, as the Central Secretariat of the National Employment Service was called, undertook a number of studies, pilot projects and schemes to guide and help employment-seekers. Finally, in 1959, the Government of India passed the Employment Exchanges (Compulsory Notification of Vacancies) Act, calling upon employers, in both the public and private sectors, to notify their vacancies to these Exchanges, on pain of fine and/or imprisonment for default thereof.

The question may now be asked whether these Employment Exchanges have helped to solve the

problem of unemployment. As has been stated already, an organization of this kind can never add to the quantum of employment. The utmost that it can do is to facilitate the movement of employment-seekers to points where they are most wanted. Even this has been achieved to a limited extent only. Red tape and inability on the part of the Employment Exchange staff to properly comprehend the requirements of employers have intensified the reluctance of the latter (both Government and private) to make free and full use of the "service". The use of legal force to notify vacancies to Employment Exchanges—a power which is almost without parallel in the history of the development of the Employment Service in other countries—would not alter the basic situation, viz., that as they are organized at present, these Exchanges are not able to "deliver the goods". What is needed is improvement in the quality of the "service" provided: once this is achieved, employers in India, as in other countries, would gladly notify their requirements to Employment Exchanges, even without any legal compulsion.

The Employment Service in India has, however, been doing good work in the ancillary fields of employment information, occupational analysis, manpower survey and budgeting. The surveys which have been, and are being, conducted by the Manpower Division and the reports which have been brought out, should help Government to anticipate sudden deteriorations in the employment market, prepare for them and formulate measures to meet situations as they arise.<sup>5</sup> For the

<sup>5</sup> "Manpower Planning" can help to ease unemployment by regulating the supply of labour in such a way that the present and prospective demands for it are met in a satisfactory manner. The objective is to reduce surpluses and shortages to a minimum so that



under-employed rural population, the service can render significant service by promoting labour mobility. Its expert knowledge of the employment market can be of great help in such matters as the setting up of new industries in depressed areas. Occupational counselling can help to reduce wastage of young manpower and to place "the right man in the right job". Finally, if and when unemployment relief or insurance is introduced into this country, the Employment Service would be the best agency for the development and administration of such a scheme.

available manpower resources are utilized to the maximum advantage. It is for this reason that the National Employment Service in India is trying to collect all possible information regarding the employment market situation in selected areas all over the country.

## CHAPTER VIII

# SOCIAL SECURITY MEASURES IN INDIA— RETROSPECT AND PROSPECT

It has been stated already that social security plans serve to bridge the gap between full employment and unemployment. As the problem of unemployment is rather colossal in India and as considerable time may elapse before the objective of full employment can be adequately achieved in this country, it would not be out of place to consider at this stage to what extent social security schemes can and should be introduced to alleviate the distress of unemployment.

In an earlier chapter, social security has been defined as the security which is provided, through the organization of the State, against certain risks to which all the members of society are perennially exposed. "If people could individually cover the risks which threaten their means of subsistence, social security services would be superfluous. But such contingencies as illness, death and unemployment may occur with disastrous effects at any time and they cannot be provided against by persons in isolation. The risks must be transferred from the individual to a community to which he belongs."<sup>1</sup> The transference of these risks from the individual to the community can be done in two ways—by social insurance and by social assistance. Measures of social insurance can be conveniently adopted where workers are well organized and well knit and where those in employment

<sup>1</sup> International Labour Office, *Problems of Social Security* (New Delhi, 1947).



are numerous enough to keep the average risk fairly stable. Measures of social assistance, on the other hand, are more appropriate to regions "where the workers are too poor to contribute, too illiterate to follow the technicalities of insurance and too scattered to be brought under a scheme of insurance".<sup>2</sup>

In so far as India is concerned, poverty is so acute, the incidence of disease and mortality so widespread, and the misery and destitution caused by unemployment and under-employment so patent that no special argument need be put forward for the adoption of social security measures. Equally, if not more important, however, is the need for supplying the basic needs of life—adequate food, shelter and clothing. As has been well emphasized in a recent monograph published by the International Labour Office, the many advantages of social security services must not lead us to believe that they constitute a panacea for social ills, because this is not true. "The creation of social security services is not a primary, but only a secondary, objective of social policy."

Assuming of course that the basic needs of life would be provided by the State to all members of the community, the question arises to what extent, in a country like India, social security services can lighten the ordinary hazards of economic life. Some argue that in a country where the vast majority of the population is not properly fed, clothed and housed, social security services are premature and would prove disappointing. While it is true that the first responsibility of the State is to provide the basic needs, viz., food, clothing and shelter, to all its people, it would be absurd not to introduce sickness benefit and medical care until all preventable disease has been eliminated, and not to have some kind of unemployment

<sup>2</sup> The Labour Forum, *Planning for Labour* (New Delhi, 1947).

assistance until everybody has been provided with jobs. The guiding principle should of course be that the risks to be borne by the community should be of manageable proportions.

The social security programmes in the industrially advanced countries have behind them a history of more than fifty years of sustained experiments in this field. As we have seen earlier, these are no longer regarded as measures designed only to help the needy classes in times of adversity. The programmes have now a much wider significance and are accepted as tools of economic policy, intended to help not merely the direct recipients of the benefits but to give an assurance to all members of the community. In countries not so advanced, social security programmes apply to wage-earners only and exclude, as a matter of principle, casual labour, self-employed persons and those working in the sector of agriculture, mainly because of economic, administrative and technical difficulties.<sup>3</sup>

Turning now to the history of social security measures in India, we find that, until very recently, the concept of social security did not find a place in the labour or other legislation of this country. The only two positive measures which had some semblance to social security were the Workmen's Compensation and Maternity Benefit Acts. Even here, the underlying principle was that of making the employer liable for certain contingencies that might occur : there was no clear-cut recognition of the right of the worker to receive assistance against industrial risks or of the woman worker to receive wages during the period of maternity.

<sup>3</sup> e.g., lack of proper communications, general illiteracy, continued prevalence of non-cash type economies and extremely low levels of living in rural areas.



A limited scheme of health and maternity insurance, applicable to industrial workers in certain specified areas and undertakings was, however, introduced in 1948. Since then, its coverage has been extended from time to time, so that, at the end of 1958-59, the Employees' State Insurance Scheme, as it is called, covered some 15.87 lakh persons (industrial workers and their dependants).<sup>4</sup>

Even so, the benefits have not been extended to some 6 or 7 lakhs of "insurable" persons, largely because the necessary medical and administrative arrangements have not been finalised. Moreover, even in the field of industrial employment, large sections are not covered by the Employees' State Insurance Act of 1948. In the mining sector, for example, no facilities are provided at present except in the coal and mica mines. In the plantations, the responsibility for the provision of such services has been left to the employers themselves. The Employees' State Insurance Scheme does not also apply yet to employees in shops and commercial establishments and transport undertakings.

Provision against the hazards of old age is more inadequate still. While some enlightened employers have got excellent retirement benefit schemes for their workers, the majority of them make *ad hoc* arrangements which are not very satisfactory. The Employees' Provident Fund Act of 1952 is trying to remove this lacuna and the coverage is being extended to factory establishments employing even twenty persons. As in the case of the Employees' State Insurance Scheme, the Employees'

<sup>4</sup> It was only during the year 1958-59 that the facilities of medical care were extended to the families of insured workers in certain areas. Vide *Annual Report of the Employees' State Insurance Corporation* for the year 1958-59 (New Delhi, 1959).

Provident Fund Scheme does not cover workers in the mining sector (other than coal and mica mines) and employees in shops and commercial establishments and transport undertakings.

In this connection, it would be useful to refer to the report submitted by the Study Group on Social Security in December 1958.<sup>5</sup> The Group was asked by the Government of India to examine the experience gained by the working of the existing schemes and to consider whether these could not be integrated into a comprehensive social security programme. It was also asked to examine whether the Provident Fund scheme could be converted, either wholly or partly, into suitable pension schemes. The Group came to the unanimous conclusion that there should be a comprehensive integrated scheme and that lump sum payments now made under the Employees' Provident Fund Scheme should be converted into a statutory Pension Scheme.<sup>6</sup>

As regards unemployment insurance, apart from the provisions of the Industrial Disputes Act of 1947, which are more in the nature of deterrents to wholesale retrenchment, no other measures exist in this field of social security even for wage and salary earners in the organized sector. This of course is understandable, as such programmes are feasible only in countries where unemployment is of a frictional character, lasts for short durations and can be reduced to manageable proportions. In our country, the nature and magnitude of the problem

<sup>5</sup> *Report of the Study Group on Social Security* (New Delhi, 1959).

<sup>6</sup> The Group recognized that the worker might need some money on retirement to meet his immediate needs. So it suggested a scheme which would ensure payment of a small gratuity immediately on retirement, the rest of the resources being used towards giving the maximum pensionary benefits.



is such that it would be a long time before we can think of any social security programmes in this field.<sup>7</sup>

One is apt to forget that social security measures, howsoever comprehensive, cannot solve the problem of unemployment. The key to the solution of the latter problem lies elsewhere—in the adoption of economic policies which would widen the scope for employment. Moreover, social security schemes can prove extremely costly and embarrassing to Government if they have to cater for a very large number of persons. It may not be out of place to mention here that, even in Great Britain, the unemployment insurance scheme was first initiated in only seven industries and with very limited financial implications.

<sup>7</sup> The Study Group on Social Security also did not recommend unemployment relief in any form.

## CHAPTER IX

### EMPLOYMENT POLICY IN INDIA

ALTHOUGH the problem of unemployment has been with us in an acute form since the end of World War I, Government hardly had an employment policy until the First Five Year Plan was drafted in 1950-51. It is true that the Royal Commission on Labour discussed the subject in 1931, but all that they said was that "the setting up of public employment agencies would not by itself be an effective remedy for general unemployment arising out of economic depression". They ended by making the obvious statement that "while these agencies might help in increasing the mobility of labour, they could not augment the quantum of employment, which depended on measures such as greater industrialisation".

Further proof of the lack of awareness, on the part of Government, of the immensity and urgency of the problem is furnished by the fact that the Government of India Act of 1935 classified "unemployment" as a provincial subject. As a result, the initiation of ameliorative or remedial measures against unemployment became the sole responsibility of Provincial Governments. The proceedings of the Indian Legislative Assembly and Council of State of the decade 1936-46 are replete with instances of questions being raised by non-official members about various aspects of the problem and official members from the Treasury benches giving terse, laconic replies that as the subject fell within the purview of the Provincial Governments, the



Government of India was unable to do anything in the matter.

A few Provincial Governments, however, initiated some action. Thus, the Government of U.P. appointed a Committee in 1935 to suggest ways and means for alleviating unemployment among the educated classes. Then there were the Kanpur Labour Enquiry and Bihar Labour Enquiry Committees, but they were concerned largely with the elimination of bribery and corruption associated with the recruitment of labour. The Bombay Textile Labour Enquiry Committee of 1940 also was concerned with the same aspect of the problem. Even the Labour Investigation Committee set up by the Government of India in 1944 did not investigate the nature and causes of unemployment in India : it merely enquired into the recruitment methods employed in private industry and recommended the setting up of a network of Employment Exchanges all over the country.

We thus see that, prior to Independence, virtually no steps had been taken by Government—either at the Centre or in the Provinces—even to seriously study the problem of unemployment and under-employment. Towards the end of World War II, however, the Central Government felt that something ought to be done. A Directorate-General of Resettlement and Employment was accordingly set up at New Delhi (with regional offices in every major Province) to plan the orderly absorption in civil life of ex-servicemen and discharged war workers. Although the objective was strictly limited to these specified categories, the hope was entertained in at least some quarters that this Directorate would ultimately develop into a permanent organization to tackle the entire problem of unemployment. In the years immediately after the partition of the subcontinent,

this Directorate took upon itself a considerable portion of the responsibility for the rehabilitation, in suitable employment, of displaced persons from both wings of Pakistan.<sup>1</sup>

Then came the two Five Year Plans.<sup>2</sup> It was inevitable that eradication of unemployment would form a major plank of Government policy both in the formulation and execution of these Plans. Government took note of the fact that the problem of unemployment and under-employment had been aggravated by such factors as (a) the rapid growth of population, (b) the disappearance of the old rural industries which provided part-time employment to a large number of persons in the rural areas, (c) inadequate development of the non-agricultural sector from the point of view of employment (in spite of the considerable development during the preceding forty years, the shift of occupation from the agricultural to the non-agricultural sector since 1911 had been only about 3 per cent), and (d) the large displacement of population as a result of partition. The First Plan accordingly provided for a total outlay of Rs. 2,069 crores in the course of five years and the hope was expressed that this outlay would "initiate a process of development which would raise living standards and open out to the people new opportunities for a richer and more varied life".

The Plan opened up a considerable quantum of new employment opportunities. But in the third year of the Plan, i.e., in 1953, the authorities discovered to their

<sup>1</sup> We have seen in Chapter VII how the Employment Exchanges set up under the auspices of this organization have eventually become the focus for manpower planning on an all-India scale.

<sup>2</sup> The First Five Year Plan covered the period 1951-56. The Second Five Year Plan covers the period 1956-61.



dismay that, despite this, unemployment was not only not going down, but was actually on the increase. So, in October that year, the total outlay on the Plan was increased by Rs. 180 crores "for financing new specific schemes which would simultaneously expand employment potential and check growing unemployment in the country".<sup>3</sup> Further, it was decided to continue the programme for the rehabilitation of displaced persons for the full period of the Plan instead of ending it in 1953-54 as was initially provided. These specific schemes and measures did not, however, make any appreciable difference to the employment situation and the First Plan ended with a backlog of 5.3 millions unemployed (2.5 millions in the urban areas and 2.8 millions in the rural areas). The failure of the First Five Year Plan to make any adequate impression on the state of employment was due, at least in part, to its excessive emphasis on long-term projects.<sup>4</sup>

The Second Plan placed the objective of employment in its proper perspective. It defined a large expansion of employment opportunities as one of the four basic objectives of the Plan and it also made a careful appraisal of the magnitude of the problem and of the employment opportunities that were likely to be created.<sup>5</sup>

<sup>3</sup> Total outlay was eventually increased to Rs. 2,356 crores—an increase of Rs. 287 crores over the original allotment.

<sup>4</sup> Vide the author's *Studies in Indian Economic Problems* (Calcutta, 1954).

<sup>5</sup> The other three objectives were : (i) a sizeable increase in the national income so as to raise the level of living in the country, (ii) rapid industrialization, with particular emphasis on the development of basic and heavy industries, and (iii) reduction of inequality in income and wealth and a more even distribution of economic power.

Calculating that new entrants to labour force during the period 1956-61 would be some 10 millions, it posed the question that at least 15.3 million jobs would have to be created if unemployment was to be eradicated by the end of the Second Plan period.

The Government of course realized that, even with a planned outlay of Rs. 4,800 crores, it would not be able to create more than half the number of jobs. It had no illusions on the subject. The report of the Planning Commission on the Second Five Year Plan, however, sorted out the problem in its proper perspective. It also indicated that special efforts would have to be made (a) in particular pockets where unemployment is substantially higher as compared to the general level of unemployment in the economy as a whole and (b) for the educated unemployed who pose a delicate socio-economic problem.<sup>6</sup>

It would be useful to recall at this stage that, in December 1950, the Secretary-General of the United Nations, pursuant to a resolution of the Economic and Social Council, sent a questionnaire to members and non-members participating in the regional economic commissions, concerning (a) full employment standards, economic trends and objectives and domestic economic policies and (b) balance of payments trends and policies.<sup>7</sup> India's reply, sent in 1951, was that, in view of the

<sup>6</sup> Vide the author's *Essays in Applied Economics* (Calcutta, 1956).

<sup>7</sup> The resolution read as follows: "The Social and Economic Council recommends that each Government publish as soon and as precisely as practicable, the standard by which it defines the meaning of full employment as a continuing objective of policy, such standard being expressed, whenever possible, in terms either of employment percentages or of absolute numbers of unemployed or in ranges of such percentages or numbers; and thereafter publish such revised standard as may become necessary from time to time."



predominantly agricultural character of its economy, the fixation of a target of full employment presented special difficulties. "Out of a total population of about 350 millions in the Indian Union, fewer than 10 per cent are supported by organized and unorganized industrial employment, while the rest depend upon agriculture, the manpower demands of which are subject to large fluctuations owing to seasonal and other factors." The Indian Government, however, said that it had set up a Planning Commission to formulate a comprehensive plan for the most effective and balanced utilization of the resources of the country. "The preparation of such a Plan would include an assessment of the extent of unemployment, actual and threatened, the devising of measures to avoid unemployment, and exploration of the possibilities of extending opportunities for employment in urban and rural areas." It then made the curious observation that the problem of unemployment arose "more from lack of financial and technical assistance needed to stimulate general economic development than from a lack of internal effective demand", completely overlooking the fact that it was the lack of effective demand among the people of the country which was holding up investment and economic progress.<sup>8</sup>

On the eve of the Third Five Year Plan, Government has again discovered that the problem remains as acute as ever. A much bigger outlay (about Rs. 11,000 crores) has been proposed for the ensuing Plan period,<sup>9</sup> but it is doubtful if even this gigantic programme would help to absorb more than half of the 21 to 22 million persons who would be in the employment market during this period.

<sup>8</sup> United Nations, *Problems of Unemployment and Inflation* (New York, 1951).

<sup>9</sup> Of this, Rs. 7,000 crores will be in the public sector.

The natural reaction to such a situation is to throw up one's hands in despair and to say that the problem is incapable of solution. But such an attitude will not be tolerated today by the people of the country—not even by the illiterate and semi-literate rural folk. After ten years of experimentation with planning in all its aspects, an answer must be found to this perplexing question. It is not suggested that a problem of this magnitude can be “solved” during a period of five, ten or even fifteen years. But what has to be realized is that even at the commencement of the Third Plan, the backlog of unemployed persons happens to be much higher than what it was five years ago. The present Government has no doubt travelled far from the attitude of “seeing no evil and hearing no evil” which had characterized the mental outlook of the previous Governments, but a positive and realistic employment policy does not appear to have emerged yet.



## CHAPTER X

### A PROGRAMME FOR THE FUTURE

WE have seen that economists and politicians in Europe and America have been thinking in terms of full employment for the last fifteen years or so. They were so overwhelmed by the social consequences of chronic unemployment that they were prepared to go to any length to eradicate this canker from the body economic. In India, however, the idea of full employment is still considered fantastic and incapable of realization. By contrast, the concept of social security seems to have become a kind of "blind spot" in the eyes of our planners. More and more attention is being paid to the granting of benefits and concessions to a sector of the population which already enjoys the security of livelihood, but no effort on the same scale is being made to ensure jobs for those who do not have them.

We should not forget that our financial resources are limited. Social security measures may be desirable, but, in the present chronic state of unemployment and under-employment, the primary aim of Government should be to maintain as high a level of employment as possible.<sup>1</sup> It should be possible for Government to take stock of the available manpower resources in the country and draw up a programme of outlay which would help to absorb the largest possible number. In this context,

<sup>1</sup> It may be mentioned here that one of the directive principles of the Constitution of India is that "the State shall direct its policy towards ensuring that all citizens have the right to an adequate means of livelihood".

it may be better to employ people even in uneconomic or useless jobs than not to employ them at all, because those who would be taken in useless employment can, by what they earn and spend, give useful employment to others. Enforced idleness is a waste of real resources and a waste of lives—both of which are far more serious wastes than the waste likely to be caused by the employment of certain persons in relatively useless occupations.

In practice, however, no occasion would arise for having to employ men in useless occupations. For years ahead, the energies of the employable population can be used to the full in meeting urgent social needs and lifting the people out of their present squalor and poverty. There is plenty of work to be done in the spheres of improving public health, transport and education, of planning industry and modernizing agriculture, of building roads, irrigation canals and electrification units. What is needed is a grim determination to embark on a policy of such outlay as would absorb the available manpower. In the absence of such a policy, secondary measures like control of the location of industry and regulation of the labour market by the setting up of Employment Exchanges will hardly help. These latter measures can only smoothen the process of adjustment: they do not have the power to correct an obviously glaring maladjustment.

It may be noted here that the necessity for providing full employment was the primary objective in the Plan of Economic Development for India, drawn up by the Bombay industrialists as early as in 1944. "Of all the measures that we suggest for raising the general level of income in India, provision of fuller scope for employment is the most important. Provision of full employment



for the working part of the population would no doubt present formidable difficulties, but, without it, the establishment of a decent standard of living would remain merely a pious hope.”<sup>2</sup> They recognized that even in a full employment programme, there must be certain obvious gaps in employment, due to (a) the inherent imperfection in the working of a social policy, (b) certain trades like the building trade being seasonal in character, (c) changes in the technique of production, and (d) variations in demand, but they believed that the number of persons who would be without work at any particular time owing to these causes could be reduced to manageable dimensions in a well-thought-out programme. It was only when the plan was sufficiently advanced and economic conditions were to a certain extent stabilized, that they thought it possible to devise schemes of relief like unemployment insurance. Meanwhile, they urged the adoption by Government of a public works programme, in respect of both new construction and repairs, which could be regulated with a view to reducing the volume of seasonal and temporary unemployment. For those who were unemployed because of technological changes, they suggested suitable courses of training to fit them for new jobs.

While the present Government is aware of the gravity of the problem which faces the country, its financial and economic policies often create a situation which is not at all conducive to fuller employment. The Planning Commission, for instance, speaks vaguely in terms of *aggregate* investment, i.e., of a formula that a certain quantum of investment would generate a certain number of jobs. It forgets that the quantum of employment

<sup>2</sup> Vide Part II of *A Plan of Economic Development for India* by P. Thakurdas and Others (Bombay, 1944).

generated through investment of a given size is conditioned by a multitude of other factors, such as the channels into which the investment is directed and the climate in which enterprise is allowed to function. Thus, investment in construction programmes generates large-scale employment, but for a limited period only. Then again, investment in heavy industries creates less employment during the short period than that in consumer and light industries. Even in the same industry, there may be alternative techniques for a particular target of production—some providing more employment than others. In other words, much more important than the absolute size of the investment are the pattern and phasing of it. The sectoral totals are more important than the grand total.

The other important factor is the climate in which enterprise is allowed to function. At present, allocation of resources between the different sectors of the economy often (including the so-called private and public sectors) is governed by considerations other than those of maximizing production and employment. Such objectives as reduction in the inequality of incomes, curb on the concentration of economic power and provision of increased amenities to certain sections of the people, may be quite desirable from the standpoint of a socialistic pattern of society, but they reflect a lack of appreciation of priorities. The unemployment situation in the country demands that such objectives should have a secondary place—at least for some time to come. Socialism in the sense of equalization of wealth and income can wait: eradication of hunger and unemployment cannot.<sup>3</sup>

<sup>3</sup> It is rather unfortunate that, in the political climate of India today, any plea on behalf of private enterprise is regarded with suspicion by Government—even when it is a plea for a policy which might expand employment opportunities.



There are other evidences of an absence of realism in the Government's approach to the problem. In a recent paper on "Employment and Social Policy", a Study Group of the Panel of Economists attached to the Planning Commission has admitted that the situation is worsening, but the only concrete measure suggested is that the bulk of the planned industrial development in the Third Plan period should be in the small-scale sector. According to the Study Group, "in a number of fields such as production of the main consumer goods and some intermediate products, it is possible, without undue cost, to substitute smaller units with similar technique and employing larger numbers per unit of output, for the more centralized and less labour-intensive production organizations. Protection to older industries ought not to proceed further than is necessary to prevent considerable technological unemployment."

This approach betrays a lack of clear thinking. While it is not denied that, in certain areas and sectors, it may be desirable to encourage small-scale units in preference to larger establishments with a view to broadening the base of employment, it would be a mistake to overlook the factor of industrial costs and to say that further industrial development should take place only through small-scale units. The Study Group appears also to have overlooked the fact that although a lesser number of people get direct employment under a programme of large-scale manufacture than under one of decentralized production in small-scale units, more people get employment in ancillary undertakings and avocations under the former arrangement.

To take a concrete example, the setting up of a cotton mill opens up employment opportunities not merely for operatives working in that mill but also for those engaged

in the production of machinery and equipment for that mill, for persons who will be required to construct the workshop and workers' quarters, for those who would distribute the product of the mill from site to the ultimate consumer, and so on. The "employment multiplier" here would be much greater than in the case of, say, a small powerloom.

Much more serious would be the repercussions of such a policy on the climate for business enterprise. A restrictive policy of this type is bound to hamper greater production, frighten away entrepreneurs and thus prevent further expansion of employment. Employment should be fed by a large number of "natural" streams, not by a pool created by artificial pumping. The Government should take positive measures to help, rather than retard, the flow of private capital—both indigenous and foreign—into organized industry.

It appears that Government is hoping to create, during the Third Plan period, jobs for about 10 million persons only. This would leave another 11 to 12 million persons high and dry. What is to be done about them? For them, the Plan must provide a programme of "extended" public works. Supplementing the programme of large permanent works drawn up for the general requirements of the Plan, this "extended" programme might include works connected with the conservation and development of resources through bunding and afforestation, minor irrigation works, public utilities, buildings and roads of a strictly local character.

For obvious reasons, the wage structure supporting this programme will have to be at a much lower level than the level of industrial wages or the wages paid by large centralized public works today. Assuming for example that 10 millions are kept employed in this



fashion on a wage of, say, one rupee per day for 300 working days, this programme of "extended" public works would mean an additional expenditure of Rs. 300 crores per annum.<sup>4</sup>

Where is this amount to come from? If the planners would drastically reduce—at least for the Third Plan period—some of the other so-called "desirable" schemes which do not have much employment potential, it should not be difficult for them to provide for this sum of Rs. 1,500 crores in a total investment programme of about Rs. 11,000 crores.

It should not be overlooked that this investment of Rs. 1,500 crores would have many happy ancillary consequences. Firstly, the very fact that every available member of the labour force would be put to constructive work would mean effective utilization of so much idle resources. Secondly, the additional purchasing power in the hands of 10 million people will further stimulate production and give the economy the much needed momentum. Thirdly, in the process of utilization of this idle manpower, valuable permanent assets would be created for the community.

It has been argued by some that it may not be feasible to maintain the dual system of wages—a market rate operative for private investment and orthodox public investment and a "dole" rate operative for unorthodox public investment of this type. This is not true. In famine relief works, for example, a "dole" rate is maintained even in the context of a higher market rate. Secondly, those who criticize the adoption of this employment programme have no suitable alternative to suggest. Is it not better to employ people even in not so economic

<sup>4</sup> It has been assumed that there would always remain a "hard core" of 1 to 2 million of unemployed and unemployable.

or useful jobs than not to employ them at all? At least those who would be put in such jobs would, by what they earn and spend, give useful employment to others.

The unemployment problem in our country should, therefore, be viewed, not as a "residual" problem to be tackled after other problems have been solved, but as the "primary" problem. *All economic and social policies of Government, whether they are price policy, wage policy, interest policy, trade policy or taxation policy, should have one main guiding principle, viz., whether they would create the conditions necessary for an increase in employment.* All other objectives, howsoever desirable, should be subordinated to the imperative need for maintaining employment at a high level. Viewed from this angle, restrictive policies, fiscal or otherwise, which inhibit enterprise should be avoided as far as possible—at least till such time as unemployment has been brought down to manageable proportions.

Finally, as stated in an earlier chapter, the programme must include an active and realistic population policy. We have seen what a tremendous advantage such a policy has given to Japan. Social and economic conditions may not be the same in our country as in Japan, but it cannot be denied that, so far, we have paid only lip service to the idea of family planning. An active and realistic population policy would require a *sustained* effort (a) to break down prejudices where they exist, (b) to bring family planning clinics within the easy reach of people in the rural areas, and (c) to find a contraceptive which is cheap, effective, simple to use and easy to store. It is true that the provision for family planning in the Second Five Year Plan was raised from Rs. 6.5 millions (in the First Five Year Plan) to Rs. 49.7 millions, but mere



increase in expenditure is not an indication of successful working. Much of the money which is now being wasted on paper propaganda, seminars and conferences of doubtful value could be spent with profit on intensive work in the villages and in the research laboratories.

## APPENDIX I

PROJECTION OF INDIA'S POPULATION : 1951-71  
(As on March 1 of the Year)  
(In millions)

<i>Age group</i>	<i>1951 census</i>	<i>1961</i>	<i>1971</i>
0-4	53.6	70.1	73.6
5-14	82.3	103.0	136.6
15-24	68.5	75.9	98.1
25-34	55.6	62.8	71.7
35-44	41.9	48.7	58.2
45-54	29.3	34.7	42.7
55-64	17.6	21.8	28.2
65 and over	13.0	13.8	18.7
All India	361.8	430.8	527.8

Source : *The Planning Commission.*

## APPENDIX II

AGE COMPOSITION OF THE INDIAN POPULATION  
(As percentages)

<i>Age group</i>	<i>1941 census</i>		<i>1951 census</i>	
	<i>Males</i>	<i>Females</i>	<i>Males</i>	<i>Females</i>
0-4	13.2	14.0	13.1	13.7
5-14	24.9	24.4	24.0	24.2
15-24	18.1	18.3	18.9	19.1
25-34	15.9	16.2	15.3	15.3
35-44	12.0	11.6	12.0	11.2
45-54	8.3	7.9	8.4	7.9
55-64	4.7	4.7	4.9	4.9
65 and over	2.9	2.8	3.4	3.7
	100	100	100	100

Source : *Census of India, 1941 and 1951.*



## APPENDIX III

## ANNUAL DEATH RATE IN INDIA

<i>Period</i>	<i>Per thousand population</i>
1881-1891	41.3
1891-1901	44.4
1901-1911	42.6
1911-1921	48.6
1921-1931	36.3
1931-1941	31.2
1941-1951	27.4

Source : *Census of India (1951), Paper No. 6.*

## APPENDIX IV

## NOTE ON EXPECTATION OF LIFE IN INDIA

The expectation of life at any particular age is a good index of the net result of the incidence of mortality at all subsequent ages. But the data used in India for purposes of calculation are such that a good deal of guesswork enters into this factor at the very young ages. The values of expectation of life at birth should, therefore, be treated with some reserve, but those at higher ages may be relied upon more confidently.

According to the Census Report of 1951, the position was as follows between 1921 and 1950.

	1921-30	1931-50
Expectation of life at birth	26 yrs. 11 months	32 yrs. 5 months
Expectation of life at age 10	36 yrs. 5 months	39 yrs.

By contrast, the position was as follows in certain countries of Europe and America round about the period 1947-50.

	U.K.	U.S.A.	Australia	Japan	Egypt
Expectation of life at birth	66.39	61.60	66.07	50.06	35.65
Expectation of life at age 10	59.76	56.12	59.04	49.49	46.86

These figures are for male persons only.

## APPENDIX V

### EMPLOYMENT IN FACTORIES (as defined in the Factories Act)

Year	Number
1952	2,567,000
1953	2,528,000
1954	2,590,000
1955	2,634,000
1956	2,822,000
1957	3,367,000*
1958	3,323,000*

\* Provisional : figures subsequent to 1958 have not been published.

Source : *Monthly Abstract of Statistics*.



APPENDIX VI  
EMPLOYMENT EXCHANGES AND  
EMPLOYMENT-SEEKERS

Year	No. of Exchanges at end of the year	No. on the Live Register at end of the year	Registrations effected during the year
1949	109	2,74,335	10,66,351
1950	123	3,30,743	12,10,358
1951	126	3,28,719	13,75,351
1952	131	4,37,571	14,76,699
1953	126	5,22,360	14,08,800
1954	128	6,09,780	14,65,497
1955	136	6,91,958	15,84,024
1956	143	7,58,503	16,69,895
1957	181	9,22,099	17,74,668
1958	212	11,83,299	22,03,888
1959	244	14,20,901	24,71,596

N.B. The increase in the figures in the last two columns is due, in part, to the fact that additional facilities have been provided for the registration of employment-seekers.

Source : *The Indian Labour Gazette*.

APPENDIX VII  
DISTRIBUTION OF APPLICANTS ON THE LIVE  
REGISTERS OF EMPLOYMENT EXCHANGES

	1953	1955	1957	1959
Industrial and Supervisory	5,224	4,441	5,929	13,747
Skilled and Semi-Skilled	52,504	57,165	71,508	1,05,263
Clerical	1,50,086	1,95,862	2,67,757	3,56,170
Educational	11,411	22,833	32,018	53,100
Domestic Service	17,137	20,468	40,246	68,981
Unskilled	2,49,023	3,54,318	4,60,639	7,54,079
Others	36,975	36,871	44,002	69,561
TOTAL	5,22,360	6,91,958	9,22,099	14,20,901

Source : *Annual Reports of the Directorate-General of Resettlement and Employment, New Delhi*.

## APPENDIX VIII

DISTRIBUTION OF PLAN OUTLAY IN THE PUBLIC  
SECTOR IN THE THREE FIVE YEAR PLANS  
(Rs. Crores)

<i>Head</i>	<i>First Plan</i>	<i>Second Plan</i>	<i>Third Plan*</i>
I. Agriculture and Community De- velopment	357.0	568.0	900.0
II. Irrigation and Power	661.0	860.0	1,550.0
III. Industries and Minerals	149.0	880.0	1,300.0
IV. Village and Small Industries	30.0	200.0	250.0
V. Transport and Communications	557.0	1,345.0	1,450.0
VI. Social Services	533.0	863.0	1,150.0
VII. Miscellaneous	69.0	84.0	400.0
	2,356.0	4,800.0	7,000.0

\* Provisional.

N.B. The following are the corresponding outlays in the private sector :

First Plan : Rs. 1,550 crores (approximate).

Second Plan : Rs. 2,400 crores (estimated).

Third Plan : Rs. 4,000 crores (provisional).

Source : *The Planning Commission.*



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